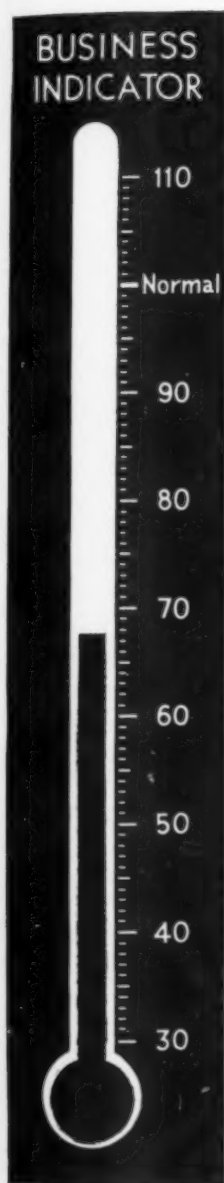


NOV 12 1931

NOV 11, 1931

# THE BUSINESS WEEK

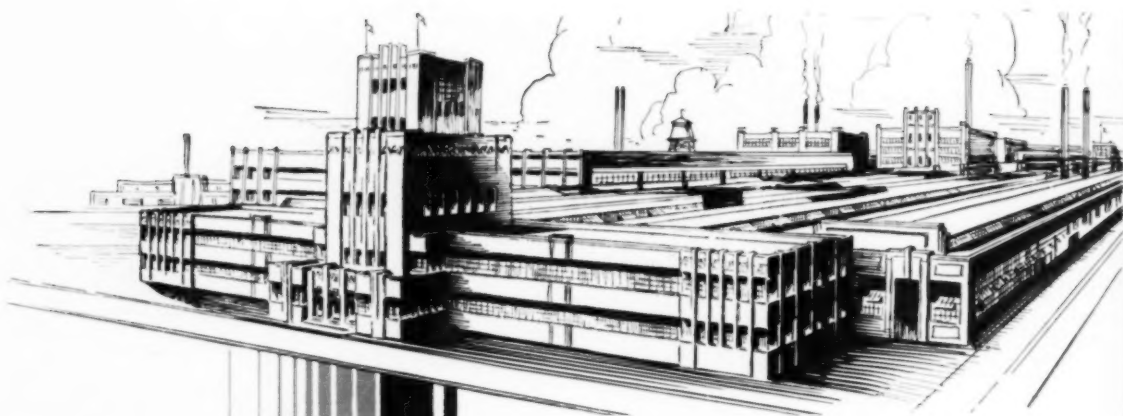


Prospects of a general and vigorous upturn in business early next year have been strengthened in a large measure by underlying developments during the past month . . . . The devastating process of commodity price deflation appears definitely to have ended as credit expansion sets in in speculative channels and sharp reduction of supplies in some lines looms up for next year . . . . This, together with return of hoarded currency to circulation and cessation of gold exports, has eased the banking strain, lightened the pressure for security liquidation, and put the banks in a better position to support the inevitable re-inflation . . . . The coming session of Congress, close at hand, is certain to supply further inflationary stimulus in all its 57 varieties by special financial relief measures . . . . The British elections have opened the way to improvement in England, and France will obviously be obliged to offer financial first-aid to Germany before February . . . . Year-end, new-model automotive activity and belated railroad buying have given some unseasonal stimulus to steel production . . . . October residential building and current carloadings show encouraging strength . . . . There are evidences of sporadic employment in coal, shoes, silk, canning, and of course a strong upswing of "sentiment" under the stimulus of strength in security and commodity markets . . . . The end of October, with business 32% below normal, may prove to be the low point of the depression, but expectations of immediate or material pick-up before the end of the year may be discounted and the possibility of setbacks in speculative sentiment under discouraging news from abroad during the next two months must be kept in mind.

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## LIGHT!

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## The McCaskey Register Co.

*Industrial Division*

**ALLIANCE, OHIO**

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# What's In This Issue —And Why

## Prices Rise

WHEAT, cotton, other agricultural products rise sharply in price; commodities generally show a new firmness. Buyers suddenly realize that all the stocks are in show windows, supplies in the usual trade channels are depleted. Wide fluctuations, however, are to be expected. (page 5)

POOR crops abroad, with expectations of decreased exports and increased imports, have helped the price of wheat. (page 37)

SUCCESS seems likely for the plan to hold 7 million bales of cotton off the market for 8 months or so. (page 6)

MID-CONTINENT oil buyers have raised bids for crude; the oil states celebrate. Control systems are further stiffened. (page 6)

## Rail Wages

NEW YORK CENTRAL takes the plunge—asks its employees to agree to a 10% wage cut for a year. The other roads watch anxiously. Voluntary agreement will save many months. Refusal means a long struggle. (page 7)

## 6%

BEGUN as a campaign local to New York, the war on certain advertising and merchandising policies is becoming national. Macy's seems to bear up, as usual. (page 14)

## New Models

VIEWS and pre-views of the new cars are interesting. The automobile industry finds its dealer stocks small, its cash position healthy, even though earnings are poor. (page 18)

## Another Law

RETAILERS of electrical and gas appliances thought there ought to be a law forbidding

utility companies from selling goods. They got the law, in Kansas and Oklahoma. But the chains and mail order houses got the business. (page 12)

## Grasshopper Thanksgiving

GRASSHOPPERS ate the crops in Montana and the Dakotas; turkeys were fattened on the grasshoppers. (page 19)

## Cartel?

INGENIOUS in the way it ostentatiously avoids price control, a plan for cooperative effort is being studied by the construction steel industry. It aims at eliminating predatory competition—and maybe it is legal. (page 29)

## U. S. Ships

AMERICAN ship lines unite to face European competition on the North Atlantic runs. But there is still the tough little problem of inter-coastal competition, with the threat of governmental regulation making ship-owners very nervous. (page 31)

## Life Insurance

MATHEMATICS, diversification, and conservatism are seeing the life insurance companies through the storm that has battered the rest of us so hard. (page 36)

## \$8 Million Rumors

KNIT underwear makers figure they have saved \$8 millions in 8 months by their new clearing house which checks up rumors of price-cutting by competitors—and usually finds they aren't so. (page 34)

## Tariff Commission

IT was to divorce the tariff from politics. "A good trick—if it could be done," is the cynics' comment after a year of watching the new tariff commission perform. (page 30)

## Copper

COPPER producers persistently try to get together on a curtailment program. But they can't, as yet. (page 38)

# ★ *This Telephone Plan will* *get results in* **EVERY DEPARTMENT** *of your business*

EXECUTIVES seeking new ways to stimulate business and to effect operating economies are finding The Telephone Plan of Market Coverage extremely helpful. This plan is being successfully used by various departments as follows:

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**Production:** Saves valuable time in ordering raw materials. Gears production to demand, thereby cutting expensive stock-on-hand. Regulates operation of separated manufacturing units.

**Purchasing:** Purchasing agent can "visit" any number of suppliers in minutes and take advantage of the best offer. Get immediate shipment of orders. Obtain last-minute information for the sales department.

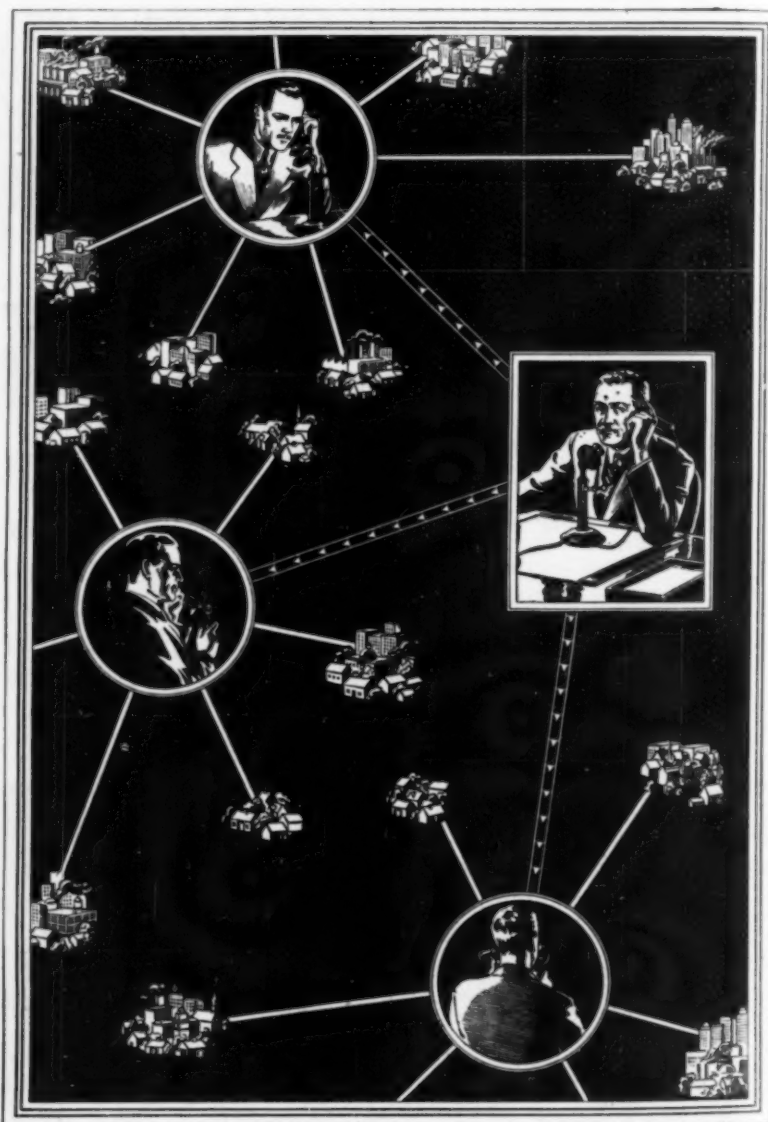
**Executive:** Officials can hold conferences with associates in other cities. Give instructions to branch managers, factory chiefs, agents. Maintain valuable customer relations.

**Traffic:** Arrange for speedy handling of goods in transit. Trace shipments. Rerouting.

**Credit:** Collect overdue accounts quickly. Get credit information. Keep in touch with sales force.

Other departments have still other uses. A telephone representative will gladly explain how a special telephone plan can be fitted to the specific needs of *your* company.

**JUST CALL YOUR BELL  
 TELEPHONE BUSINESS OFFICE**



# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

News of the week ending November 7, 1931

## Buyers of Commodities Suddenly Realize There Are No Surpluses

**Scramble to fill needs turns markets upward; the only supplies are the visibles**

COMMODITY markets have eclipsed the stock market for a spell as front page news. Speculative interest in securities is slack, needing new stimulus from some source still unseen; banks continue liquidating security loans; the expected influence of the National Credit Corp. has not yet been felt.

### An Independent Whirl

But key commodities, usually tied to the stock market, have cut loose for a spin on their own. Wheat has shot up some 17¢ a bushel since the Oct. 5 low, bringing other grains along for rises ranging from 20% to 35%. Cotton also rose nearly \$7 a bale, or 25% from Oct. 5 to 23, later sagging a bit. Hides, wool futures, butter, livestock have shown similar upturns since September.

Among non-agricultural commodities the signs of strengthening are less marked as yet. Lead rose sharply on a buying rush last week, copper had a little buying flurry on expectation of curtailment action, but not enough to boost the price, and excitement has subsided. Silver has been rising slowly since June. Rubber rose on reports of new control schemes, but relapsed on refusal of Dutch interests to agree. Average commodity price indexes, however, have been fairly stable during October.

### Confusing Explanations

Explanations assigned are superficial, vague, confusing. Swing of "sentiment" switching speculative interest to commodities and to the long side of the market is sufficient reason, but explains nothing, and is rationalized in amusing ways.

Wheat and cotton are striking examples. No essential change has taken place in the so-called statistical position of these commodities, and in cotton it has apparently become worse as each succeeding crop report has shown a larger supply. Yet, where 2 months ago all

markets saw only burdensome surpluses and talked only of "over-production," they now suddenly see shortages and a scramble for supplies on the part of foreign and domestic consumers. The real situation has not changed; market interpretation of it has. Bullish rumor has replaced bearish reading of the available facts.

These facts, as always, are fragmentary and inadequate. Statistics of visible supplies show only amounts in the show-window in main markets. Almost nothing is ever known about invisible supplies in all channels of consumption back of producers and first distributors. *The Business Week* pointed months ago to the probabilities that these invisible supplies were depleted, that almost all the world stocks of the principal commodities were now in the show window, that the visible supplies were all there were. It forecast a sharp reaction in prices as soon as this was realized, and wide, irregular price movements for a considerable period thereafter.

### Market Facts

This is what is happening now. Certain facts have been forced upon market attention during the past few weeks. The hard spring wheat crop has been very short, and supplies of durum wheat, in demand here and abroad for bread making, are below even domestic requirements. Spring wheat has been at a large premium for months (*BW*—Oct 7 '31). The Farm Board has cornered most of this supply. Winter wheat planting in the Southwest has been sharply curtailed, probably by as much as 16%, and the crop prospects hurt by fall drought, so that the outlook is for the smallest winter wheat crop since pre-war.

The Argentine and Australian acreage also has been reduced. European crops have been poor, in quantity and

quality, and supplies depleted as buying has been delayed by financial difficulties. The Russian crop was overestimated both at home and abroad. The Soviet itself found it had sold large quantities short in European markets and is now compelled to cover.

American farmers have apparently fed more wheat to livestock than was expected, and have held an unusually large amount from market because of low prices. An organized holding movement has developed in corn.

### The Cotton Situation

In cotton a number of fortuitous factors have come in to strengthen the market despite the large crop and carry-over. Crop curtailment moves, under legislative and banking pressure, promise considerable reduction next year. Plans for cooperation between the Farm Board and Southern bankers to hold 7 million bales from market till July, 1932, promise to be effective. Schemes for financing foreign purchases have been under constant discussion. Domestic consumption has increased almost steadily for nearly a year. Foreign demand has been stimulated by low prices and by revival of textile activity in England as result of the devaluation of the pound.

All these things showed at last what might have been foreseen; that over-production and oversupply were the myth, under-consumption and delayed stocking-up the reality in depressed prices. Visible supplies always increase during depression and invisible supplies vanish. Replacement starts and prices improve as soon as credit expansion starts in speculative channels, and this begins as soon as the possibilities of profit on the short side become exhausted.

### Shorts' Chances Wane

Prices of wheat, cotton, and most other basic commodities had fallen by early October to a point where supplies would be held or destroyed and production drastically curtailed. The possibility of profit in short-selling progressively diminished to the vanishing point. There is a definite lower limit to commodity prices, much more definite than in securities because it is fixed by physical factors. When this point is approached speculative interest, and the

use of credit in margin trading, always shifts almost automatically to the long side of the market. The market information itself—or its interpretation—then turns bullish.

This turn is reinforced at the present time by a more or less universal instinctive expectation of imminent action by Congress or banking authorities toward inflation or general credit expansion which will raise all price levels. That is why every bit of news, like the moratorium announcement last June and the National Credit Corp. proposal early in October, which is interpreted as inflationary, stimulates the markets to discount the expected inflationary effect.

#### Chain of Effects

The switching of speculation to the long side is itself an inflationary force; it brings increased bank credit into use. Not only do speculators increase their margin lines with brokers or banks, but rising prices encourage banks to enlarge or carry loans on commodities they would otherwise close out. Commodity loan paper is at a premium anyway as bank investment, while security collateral loans are not wanted. Prices rise primarily because of this expansion of credit in use, not because actual consumption has increased or the supply of the commodity has diminished.

The upper limit to speculation on the long side is fixed, however, by the actual increase in consumption or cash demand. When this is reached there is likely to be a reaction, with profit-taking and reversion to the short side. This is especially true where the short interest has been thinned out as it has by governmental disapproval and exchange regulation.

#### Not a Smooth Road

The course of recovery of commodity prices in this situation is therefore not likely to be smooth or continuous. Cash demand for wheat has been strong, and cash wheat at a premium over futures till recently. The Farm Board has been steadily selling its holdings at a rate somewhat above the 5 million bushels a month it promised, and is replacing this excess with future purchases. This rise in prices may, therefore, run on for some time, though it is doubtful whether forecasts of \$1 wheat or 10¢ cotton by January will be fulfilled.

Although 65¢ wheat or 7¢ cotton is still nothing to get excited about, being still the lowest prices in many years, the upturn is a psychological stimulant and will help farm buying power and rural business this fall, because so large a part of the supply is still held for farmer's account, by co-ops on bank and

Farm Board credit. Business has to thank the Farm Board for this fact and the board and the farmer in turn have to thank the wicked speculator for starting the upturn. So everybody will be happy, and the hard things they have been saying about each other may be forgotten for a while. An upturn of commodity prices in advance of business, stock or bond market improvement is unusual; but everything about this depression is unusual.

### Bank Aid Assures Cotton Plan Success

SUCCESS of the cotton plan, drawn up at the New Orleans meeting of Southern bankers, Farm Board and cooperative members a few weeks ago, seems assured.

Reports indicate that the bankers, upon whose cooperation hinged the fate of the plan, have pledged to finance 4 million bales, 500,000 more than the minimum decided upon at the confer-

ence. This amount is to be withheld from the market until the end of next July. In return, the Farm Board and the American Cooperative Cotton Association will carry their combined holdings of 3,300,000 bales over a similar period, with the possibility of extension to July, 1933, if there is a substantial reduction in acreage. Thus a way has been found for keeping more than 7 million bales off the market, for 8 months at least.

Another cotton holding plan, known as the "suspense pool," has been developed by the Texas Cotton Cooperative Association. Growers are enabled to withhold cotton from the market when prices are low, but retain the right of fixing the price at which their product is to be sold.

Plans are also being made to form a credit pool, with the assistance of Farm Board and private funds, to finance the holding of between 30 million and 40 million bushels of corn. The proposal would establish National Corn Credit Corp., capitalization \$1 million.

## Oil Price Rise, Further Control, Give Oil States Cause for Joy

WHEN Mid-Continent oil buyers, led by Continental Oil Co., raised top prices for oil from 70¢ to 85¢ per bbl., Tulsa, Kansas City, and other oil centers started a real Hallowe'en celebration,

and for cause. Bands played; tank wagons and oil trucks paraded; shouting, singing people filled the streets all night long.

The celebration emphasized the real



CASHING IN THE BEET CROP—A sugar-beet dump in Colorado. This year, Western producers will collect about \$60 millions on their crop

value of the price increase which, while it added untold millions to the potential wealth of the oil producing states, apparently had an even greater psychological effect upon the people.

To hold the gains, and prevent overproduction from kicking prices down again, the Oklahoma Corporation Commission issued on Monday a new production order limiting output to 546,000 bbl. daily. This is estimated to be about 20,000 bbl. less than the anticipated demand for the balance of the year. The prolific Oklahoma City field is restricted to 180,000 bbl. with daily ratable flow at 5.4% of potential for wells which have produced their full quota and with under-produced wells getting 1% additional.

#### New Plan Hatching

Fears that increasing output from East Texas might clog things again have been dispelled by the general belief that Governor Sterling is about to announce a new plan whereby oil production there will be placed on an acre-unit basis. Under this plan 4 bbl. per acre would be permitted or, since but one well per 20 acres is permitted under present drilling regulations, each well would be limited to 80 bbl. daily.

The obvious purpose of the new rule is to restrict the drilling of new wells. Under present regulations, output has been limited to a quota per well. This quota has been successively lowered as opening of new wells constantly increased the state total output above the amount considered desirable to avoid overproduction. Until last week it was 165 bbl. per well; on Oct. 29 Gov. Sterling reduced it again to 150 bbl. Sept. 1 there were about 1,000 producing wells in the East Texas fields, 2 months later there were over 2,600. Thus did producers evade the spirit of regulation by drilling new wells.

#### 80 Companies Approve

The acreage basis plan was proposed by the Texas Oil & Gas Conservation Association and was approved by 80 companies and individuals operating in the field and represented at the association meeting. These include nearly all the major units. Opinion now is that Governor Sterling is waiting only until his experts develop a satisfactory plan for handling leases under 20 acres.

Since there are about 92,000 acres of actual and potential producing areas in the East Texas field, limitation to 4 bbl. per acre will restrict total output to something less than 400,000 bbl. per day, which is about the total agreed upon for East Texas in a recent meeting representative of various oil states.



Wide World

**ANNIVERSARY**—The New York Central celebrates the 41st birthday of the Empire States Express, famous fast train. Left to right are Patrick E. Crowley, president; Charles Hogan, engineer on the first run; R. D. Starbuck, vice-president, photographed in Grand Central Terminal

## New York Central Tries Out The Short Line to Wage Cuts

**Response of its employees to "voluntary adjustment" offer will determine the issue for all roads**

LONG impending, the railroad wage issue was brought into the open this week. The New York Central took the plunge and involuntary shivers went down the back of every railroad man in the country. The outcome of N.Y.C.'s proposal that its union workers accept a wage reduction of 10% for one year will determine the issue one way or the other. If the Central's employees are adamant it means that the 16 railroad labor organizations will fight off wage cuts on all lines. Agreement by the N.Y.C. employee committees on an emergency reduction will presage similar action on other roads.

Although some railroad executives brought up the wage question at the Atlantic City meeting 2 weeks ago, it was generally understood that no move would be made until the rate increase

proposal was threshed out with the I.C.C. That this proposition did not command complete support is evident from the New York Central's attempt to reach a settlement with its own men. Other roads probably will wait until they see if the Central can get away with it. Many of them were ill-pleased with the Central's lone-handed action.

New York Central's present move follows a number of drastic measures already taken to lower labor costs. Since the early part of 1930, its employee ranks have been reduced by around 52,000 to a total of 115,000. The payroll has been cut substantially, from \$313 millions in 1929 to \$268 millions in 1930; this year it will be considerably less. Other economies effected include departmental reorganizations and consolidations and cuts of

10% to 20% in salaries of officers and employees.

With the railroads' drive for reducing wage scales carried well into its publicity stage by the N. Y. C., train-service brotherhood chiefs and union leaders of the shop crafts met in Washington this week to plan their strategy in the rapidly approaching crisis. What, if any, concessions the labor chieftains are prepared to sell and the price-mark on them was not revealed. Their bid for a conference with the railway executives cannot be construed as indicting any willingness to accept even a temporary cut.

#### Puts Roads in a Hole

Like the I.C.C.'s rate decision, the union suggestion that management and labor act in concert to iron out their conflicting interests is a hard thing for the carriers to take and answer with a "No." If R. H. Aishton, chairman of the Association of Railway Executives, replies as he did to a similar proposal last May, the roads will get a black eye for refusing to cooperate, when it appears to the public that the employees are willing to meet the roads half way.

The labor organizations want first to force the roads to deal with them on a national basis. They are worried not a little by N. Y. C.'s move to negotiate with employee committees on its system. Such tactics, if carried down the line by individual roads, could play hob with wage scales. Blanket protection against this is, therefore, the prime objective.

Gulf, Mobile & Northern employees agreed some time ago to rebate 10% of their wages for a period of 3 months, since extended, but few train service employees came in, and the regular wage scale contracts stay put. Up to this time the railroad managements have been closely watching the efforts of the Canadian Pacific and Canadian National to prevail upon their employees to agree to a 10% cut. According to latest reports, the Canadian rail employees have rejected the proposal, and the wage question will be referred to a board provided by law.

#### Might Make a Deal

Second, the labor organizations want stability of employment, such as would be assured by some kind of a guaranteed minimum below which the number on rail payrolls will not be reduced. Brotherhood heads probably would be willing to couple this with a plan for spreading the work available among all employees, but in the rank and file the older men, now enjoying the benefits that inure to seniority, strenuously object to any limitation on mileage or hours.

It has been suggested that the labor executives might seek to take advantage of the present emergency by pledging the managements to a permanent short day, say 6 hours, in return for a temporary reduction in wage scales, and clinching the 6-hour day as soon as it can be pushed through Congress. In this way, the spreading of work among more men could be keyed into the unions' legislative program proper.

Even though temporary, a reduction in wage rates combined with the short time that most employees are getting, would entail tremendous hardship. It is doubtful whether any of the labor chiefs would have the nerve to propose such a deal, although the future benefit that the railworkers would reap is obvious.

#### Political Finesse

Among the railroad executives who cannot conceive that a wage cut is part of the strategy of the labor organizations, there are some who believe that the brotherhoods have an even chance of getting a 6-hour day from Congress this winter without making any concessions whatever to the managements. They argue that, if they stick together, the unions can let the roads propose a wage cut which, lacking their consent, would be tied up for a year by the rigmarole of the Railway Labor Act.

A 10% reduction in wage scales would save the roads \$200 millions. This figure is smaller than many had believed but the railroad payroll has shrunk nearly \$1 billion in the past two years; \$2,900 millions in 1929, it was



GERMANY'S SHIP MAN—Wilhelm Cuno, head of the Hamburg-American Lines, pays a visit to the United States

pruned to \$2,590 millions in 1930 and will drop to \$2 billion this year, with the elimination of 300,000 men and fewer days' work for the rest.

## Railroads Will Fight It Out With I.C.C., Not in the Courts

It is unlikely that any further attempts will be made by railroad executives to negotiate with the I.C.C. on the commission's plan to pool for the benefit of neediest roads extra revenues supplied by rate increases. Following the conferences held last week between the carriers' representatives and the commissioners, lawyers, accountants and traffic experts are busy drawing up a plan of their own to be filed with the commission. Before that is done, however, it must be ratified by the Association of Railway Executives and the boards of the individual roads.

Messrs. Scandrett (St. Paul), Pelley (New Haven), Cole (Louisville & Nashville) and Thom (counsel) may have lost more than they gained in

attempting to sound out the commission on whether a plan based on loans rather than gifts would meet with its approval. Two members of the I.C.C. were so outspoken in berating their visitors for even thinking that the commission's proposal contemplated loans that the railroad men were apprehensive that if they attempted to carry the conferences further the other members of the commission who remained non-committal would be swayed by their colleagues.

The commission did not discuss in its report the legality of the pooling of revenue but evidently regards its plan as permitted by what might be called an extra-legal interpretation of Section 5 (1) of the Transportation Act authorizing railroads, subject to the commis-

on's approval, to pool either freight or passenger traffic and to divide the proceeds between them. Although railroad lawyers pick plenty of flaws in the proposal, it is doubtful whether it could be successfully challenged on legal grounds.

### Bound by Directors

If the roads were under compulsion to adopt the plan, stockholders probably could prosecute a complaint that this is confiscation of property. But there is no compulsion. The commission has held out \$125 millions as a bait. Stockholders have no redress if their board of directors, in its discretion, decides to accept the plan.

They might attack if they could show that their property is hurt. But this raises the question whether the roads actually would be hurt unless obliged to pay income tax on money that they cannot keep.

Shippers on lines which would receive no benefit from the pool are precluded from attacking the increase in rates as unreasonable or prejudicial by the Supreme Court's decision in the Dayton-Goose Creek case, that an individual skipper is prevented by his interest in the maintenance of all the railroads from complaining against a level of rates higher than reasonable for the service rendered to him alone.

Railroad attorneys will make the most of legal arguments against the gift of pooled revenue to weak roads but will contend chiefly for the legality of their scheme under which the pooled revenue would be distributed as loans. The final outcome will not turn on the legality or illegality of the plan. Neither the commission nor the railroad executives have any thought of taking the issue into court. The railroad men can devise a plan to suit themselves but when the commission has handed down its decision they must either take it or leave it.

### Store-Door Service Helps Railroads in Northwest

EXPERIMENTS in pick-up and store-door delivery, to offset the competition of motor trucks, have met so favorable a response that on Nov. 1 the Northern Pacific Transport Co., subsidiary of the Northern Pacific Railway, extended its operations into additional eastern Washington territory. The railroad has released figures showing a substantial increase over 1930 business, which it attributes to the enlarged service. For one week in October it handled in the experimental area 524,385 lb. of freight

against 465,503 lb. chalked up without store-door facilities a year ago.

Northern Pacific Transport Co. began operation July 10, with overnight service between Seattle or Tacoma and the Yakima district 167 miles from the Coast. Shipments forwarded at 5 p.m. are delivered the following morning, a through bill of lading being furnished from door to door. In addition, the transport company handles C.O.D. shipments, remitting within 3 days.

It is now invading Walla Walla territory 303 miles from Seattle, making deliveries the following afternoon.

In both districts there is motor truck competition but, with its strong organization and responsibility, the railroad is said to be getting the cream of the business.

### Bargain Rides to Lure Chicagoans Back to Town

PASSENGER transportation in a new kind of package is now offered for sale to commuters on the Chicago & North Western. A new 12-ride weekly ticket, priced well below the 10- and 25-ride tickets, is being offered, carrying with it the option to buy additional mileage up to one-half the total of the 12 rides at the bargain rate of 2¢ a mile.

This ticket is designed to appeal to the man who occasionally wants to go back down town in the evening, who sometimes takes his wife or a friend along, or who may want to take a short trip on Sunday. Per-ride cost is a little more than on the 60-ride monthly ticket.

### Trucks Attack Railroads In Gasoline Rate War

THE railroad-motor truck fight in California for gasoline and other refined petroleum business came to a head last week, when a suit charging the railroads with an attempt to destroy truck competition was filed with the California Railroad Commission.

Complainant is the Tank Truck Operators' Association, whose members are engaged in the business of hauling gasoline and petroleum products as private carriers under contract with producers, refiners and distributors. Defendants are the Atchison, Topeka & Santa Fe, the Los Angeles & Salt Lake Railroad, the Pacific Electric Railway, the Southern Pacific, the Western Pacific, and the Sacramento Northern Railway.

The truckmen complain specifically



Wide World

**ROAD SANDER**—Designed for taxis, trucks, as well as buses, this new device uses the exhaust to blow sand under the rear wheels, prevent skidding. It is operated from the driver's seat

that new railroad rates filed with the Railroad Commission, considerably lower than those on tank trucks, have been published with the aim of quashing truck competition and setting up a railroad monopoly in the transportation of petroleum products. Their association

points out that rail rates on other petroleum products for which trucks do not compete have not been reduced but increased, and asks the commission to fix rates that will prevent "destructive rate wars" in the petroleum transportation business.

## Oil Industry Sounds Tocsin Against Gasoline Bootleggers

**Since tax evasion means price-cutting, producers make it chief marketing topic at their convention**

GASOLINE tax evasion, a dark-horse problem, has within the past few weeks forced itself to the front as the main current marketing problem of the much be-problemated oil industry.

First evening's session of American Petroleum Institute's big annual convention in Chicago next week is devoted to marketing. One address is on gas tax evasion, the other on uniform gas laws as a means of circumventing it. The chairman, Edward G. Seubert, president of Standard Oil of Indiana, will have some vigorous things to say on the same subject in his report.

Gasoline taxes total \$500 millions

annually, ranging from 2¢ to 7¢ a gallon, 4¢ being the average. No living mortal knows how much the total would be if all gasoline paid tax. The loss by evasion is put at \$100 millions, rising as taxes mount; it may be even more than that; in Pennsylvania alone for 1 year, it is placed at \$18 millions.

Gas tax laws are often without strong teeth, state officials are careless about enforcing them. Until recently no one has cared very much. Now the oil industry is waking up to the fact that gas tax evasion, making possible demoralizing price-cutting, is a major cause of the present profitless condition

of an industry which is one of the few in which the physical volume of sales—that is, of gasoline—is higher than in any previous year. In a state where the gas tax is 4¢, evasion is equivalent to cutting costs of gasoline 1¢. And refinery prices have been about that.

With gas tax laws differing among all states, the problem is one for state action. State committees are being formed. Illinois and Michigan were organized first, Indiana, Missouri and Kansas last week; Iowa and Minnesota on Tuesday and Wednesday this week.

It appears likely that next week's convention will speed up organizing of committees in other states and set up some sort of permanent national body, made up of representatives of these states. Policing will have to be perpetual.

### 10 Ways Around

Frank V. Martinek, Standard of Indiana executive who has been leading the fight in the Middle West, lists 10 main methods of evasion:

- (1) Transporting gasoline across state lines, giving the impression in each state that the tax is paid in the other;
- (2) Operating bogus paint factories and other industries that buy gasoline presumably for tax-exempt uses;
- (3) Marketing through dummy companies that make no reports and give way to other dummy companies if investigation threatens;
- (4) Smuggling shipments in one way or another (frequent rerouting of cars in transit, making checkup difficult, is one way);
- (5) Diluting gasoline heavily with tax-free naphtha or kerosene to the injury of motors (this particular type of evasion may bring the organized automobile industry into the fight);
- (6) Raising gallonage figures on affidavits filed to get refunds on tax-exempt sales, as for agricultural uses;
- (7) Falsifying reports of gallonage received;
- (8) Bribery of public officials;
- (9) Conniving with railway and other transport employees to report shipments incorrectly;
- (10) Conspiring with refiners to receive shipment incorrectly reported.

### State Help Needed

Getting active cooperation from public officials is about 85% of the battle, Mr. Martinek believes. In Illinois considerable progress is being made. The governor has appointed a special committee of 3 to investigate and report. Mr. Martinek being one of the three. Meanwhile, threats of jail sentences, are making gas bootleggers much less active.



Underwood & Underwood

**STANDARDIZING STOCKINGS**—From now on they'll be 30" long, measured on these heated forms, according to the Bureau of Standards. Manufacturers are cooperating in the attempt to simplify sizes

# 'STRIKE THE SAILS, SKIPPER WE'RE GOING OFF THE TRACK!'



*A railroad car that sailed before the wind! Such was the Aeolus, built in 1830. It was a great success...until it was blown from the track and piled into a mud-bank. The "engineer", a former sea captain, couldn't strike the sails in time.*

TO THE MEN who built the *Aeolus*, the railroad was a dream and a hope. But even their wildest dreams and fondest hopes did not foresee the railroad of today—the most efficient means of transportation the world has ever known.

Trains roaring across the country—spanning a thousand miles in less than a day. Efficient delivery of perishables over great distances. Of food, clothing, chemicals, building materials—thousands of products and commodities necessary for the existence of millions of people. Modern civilization could not exist without the railroads.

To insure prompt delivery the railroads must always have sufficient cars—cars which, on short notice, may be routed to any part of the country. But the number of special cars necessary to take care of a nation's transportation needs requires an investment prohibitive even to many of the largest lines. Such cars are not always in service. Their use is seasonal. During the rest

of the year they must remain idle. And idle cars mean tremendous expense.

Many railroads therefore, maintain only sufficient cars of a special nature (such as refrigerator and tank) for their daily requirements. And, at peak seasons, they call upon the General American Tank Car Corporation for additional equipment. General American, by leasing cars first to one road and then another, is able to operate its fleet of 50,000 cars economically throughout the entire year. And thus it becomes the railroads' most efficient aid—enabling them to render better service than otherwise could be possible. Address Continental Illinois Bank Building, Chicago, Ill.



## GENERAL AMERICAN TANK CAR CORPORATION

BUILDERS OF ALL TYPES OF RAILROAD FREIGHT CARS

that new railroad rates filed with the Railroad Commission, considerably lower than those on tank trucks, have been published with the aim of quashing truck competition and setting up a railroad monopoly in the transportation of petroleum products. Their association points out that rail rates on other petroleum products for which trucks do not compete have not been reduced but increased, and asks the commission to fix rates that will prevent "destructive rate wars" in the petroleum transportation business.

## Oil Industry Sounds Tocsin Against Gasoline Bootleggers

**Since tax evasion means price-cutting, producers make it chief marketing topic at their convention**

GASOLINE tax evasion, a dark-horse problem, has within the past few weeks forced itself to the front as the main current marketing problem of the much be-problemated oil industry.

First evening's session of American Petroleum Institute's big annual convention in Chicago next week is devoted to marketing. One address is on gas tax evasion, the other on uniform gas laws as a means of circumventing it. The chairman, Edward G. Seubert, president of Standard Oil of Indiana, will have some vigorous things to say on the same subject in his report.

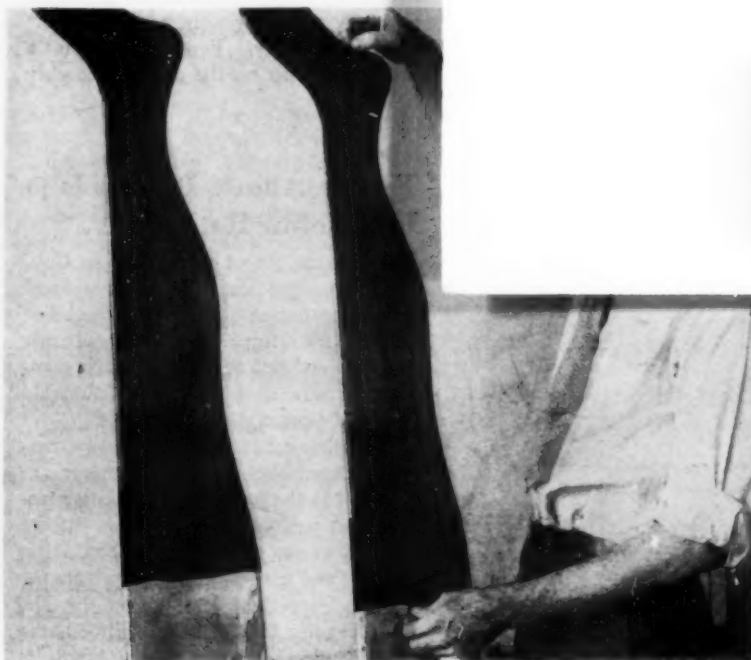
Gasoline taxes total \$500 millions

of an industry which is one of the few in which the physical volume of sales—that is, of gasoline—is higher than in any previous year. In a state where the gas tax is 4¢, evasion is equivalent to cutting costs of gasoline 1¢. And refinery prices have been about that.

With gas tax laws differing among all states, the problem is one for state action. State committees are being formed. Illinois and Michigan were organized first, Indiana, Missouri and Kansas last week; Iowa and Minnesota on Tuesday and Wednesday this week.

It appears likely that next week's convention will speed up organizing of committees in other states and set up some sort of permanent national body, made up of representatives of these

# TIGHT BOU



**STANDARDIZING STOCKINGS**—From now on they'll be 30" long, measured on these heated forms, according to the Bureau of Standards. Manufacturers are cooperating in the attempt to simplify sizes

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'STRIKE THE SAILS, SKIPPER  
WE'RE GOING OFF THE TRACK!'



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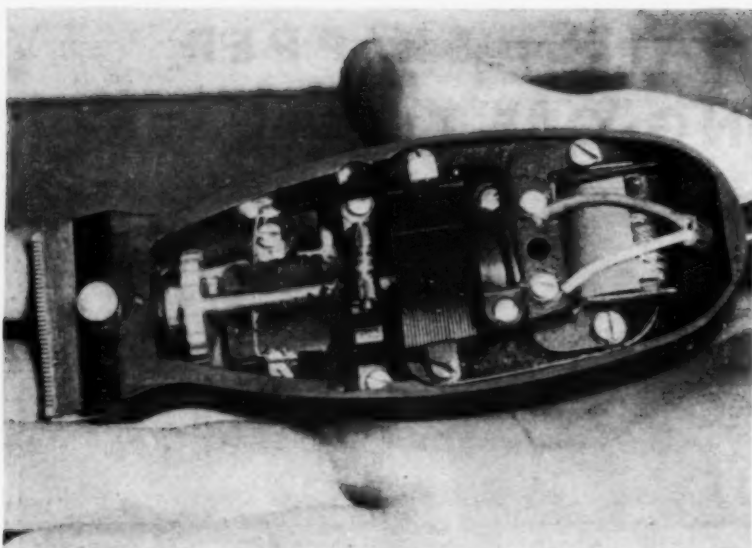


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**GENERAL AMERICAN TANK CAR CORPORATION**

BUILDERS OF ALL TYPES OF RAILROAD FREIGHT CARS



Halbram

**SOAPLESS SHAVER**—The electric razor, developed by Schick, which clips rather than scrapes the beard. Clipper blades, driven by a new kind of motor without windings or the usual commutator, operate at 3,200 r.p.m.

## Chains, Mail Order Houses Get Sales Wrested from Utilities

**Appliance dealers who obtained legislative ban in 2 states have had little benefit from it**

UTILITY executives, interested in the year's 2 legislative experiments in restraining them from appliance merchandising, find that the Kansas and Oklahoma prohibitions (*BW*—April 31) have worked out substantially as predicted. Wholesalers report large losses in sales volume. Retailers, by whom the ban was instigated, record little or no increase in sales. Chain and mail order houses have been the real gainers.

### A Long Battle

Agitation against the sale of appliances by utility companies started in the early days of gas appliances when furniture retailers, hardware dealers, and plumbers saw in it a menace to their own market for gas ranges and water heaters. Then the growing popularity of electrical home appliances, pioneered almost without exception by the utilities, added electrical dealers, druggists, dry goods merchants, and department store managers to the list of those who wanted the utilities to stop merchandising.

While the 1930-31 sessions of state legislatures saw many lobbies active in the dealers' behalf, in only the 2 states

mentioned were their efforts successful. The Oklahoma law giving the companies 90 days to dispose of goods on hand became effective last June, the Kansas law on Aug. 1.

Results are shown by a field survey made by editors of *Electrical Merchandising*, covering all types of wholesale and retail establishments in cities of all sizes in the 2 states.

Enforcement brought the immediate closing of 70 utility-operated retail stores, with an aggregate annual sales volume of \$4 millions, the dismissal of over 200 retail salesmen. Hardware and furniture stores have recovered some of their sales volume on gas-using appliances, but are doing comparatively little to push electrical appliance sales. With most of the communities in the 2 states of small size—only 3 boasting over 100,000—very few new electrical dealers have been attracted. Only in isolated cases were already established electrical contractors or dealers financially or otherwise equipped to step into the breach and undertake an aggressive advertising and selling campaign.

One Kansas dealer took over operation of one of the utility retail stores. A refrigerator distributor opened 2 stores carrying a full line of electrical appliances. Some of the salesmen formerly employed by the utilities have gone into business on their own account. Some appliance manufacturers are making strenuous effort to establish new retail outlets.

### The Wholesalers' Record

Records of wholesalers operating in the territory show how feeble have been the results obtained by all these agencies compared with the business formerly done by the utilities. Most of the merchandise sold by the latter was bought through these wholesalers who point out that utility appliance advertising and sales activities maintained public interest; automatically increased business for other retailers selling similar goods.

Hardware wholesalers believe that present and new outlets will eventually produce as much sales volume as did the utilities. Electrical wholesalers do not agree. They feel that, with new electrical appliances continuously coming into the market at an initial high cost, gradually reduced as buying develops and mass production becomes possible, active utility support is indispensable to the development of a satisfactory sales volume.

Chain store organizations and retail stores of the large mail order houses are definitely benefiting from the change. They purchase appliances through their central offices, ship them into the territory, and by advertising and sales promotional activities are obtaining considerable business that formerly went to the utilities. Their ability to finance easy-payment terms without having to depend upon finance companies gives them an advantage on major appliances, while their ability to undersell smaller retailers almost all along the line insures them increased volume on other items.

### Protective Promotion

As utilities depend on home appliances to supply a considerable part of their power load, are interested in having only reliable appliances used on their lines, would in some territories suffer under present rate structures if organized promotion to put domestic appliances on their line should cease, some companies may be forced to continue sales promotional effort. The Western Power, Light & Telephone Co. of Salina, Kan., proposes to help dealers do more business. It will advertise, at its expense, to promote wiring of homes, increase number of outlets, sell more

# J. WALTER THOMPSON COMPANY

Product research • study of markets and  
merchandising • complete advertising service in  
newspapers, magazines, radio, and outdoor.

An organization of more than eleven hundred  
people, located in twenty-three offices in  
the market centers of the world

NEW YORK • 420 Lexington Avenue • 1 Wall Street

CHICAGO • 410 North Michigan Avenue

SAN FRANCISCO • BOSTON • CINCINNATI • ST. LOUIS • LOS ANGELES • MONTREAL • TORONTO

London • Paris • Madrid • Stockholm • Copenhagen • Berlin • Antwerp

Buenos Aires • Sao Paulo • Alexandria • Port Elizabeth • Bombay • Sydney

Latin-American and Far Eastern Division • 420 Lexington Avenue, New York

appliances and supplies, make demonstrations, aid in financing, and otherwise push sales.

Others are holding back, watching the Long Beach, Calif., experiment where the Southern California Edison Co. voluntarily retired from active merchandising in October, 1930, and gave

the dealers until December, 1931, to prove their ability to do a job.

Some Kansas utilities, interested in the sale of gas appliances only, dispute the constitutionality of the state restraining law, have continued to merchandise appliances. Beaten in the U. S. District Court, they are now appealing.

## Macy Gets a National Audience For Its "6% Under" Line

THE wave of protest, initiated by the Better Business Bureau of New York (BW—Oct 14 '31) against certain advertising and merchandising practices, is swiftly gathering momentum, gaining national attention.

Both the B.B.B. and the embattled merchants give indications that this is no annual skirmish but a fight to the finish, with most of the artillery trained on Macy's New York department store.

### Autre Temps, Autres Moeurs

While there was plenty of business, stores were willing to put up with what they now call a vicious practice. But falling prices have dragged down potential dollar volume, forced an expensive increase in numbers of transactions and tonnage; fixed charges—rent, interest,

taxes—have remained fixed, making it harder and harder to show an operating profit. The Harvard Bureau of Business Research study of 1930 department store operations shows that only a small group, doing over \$10 millions annually, earned a profit, averaging 0.1% (BW—Jun 17 '31).

Knowing this, store managers contend that the Macy claim to undersell by at least 6% is ambiguous, cannot simultaneously be supported in all departments of any store, and resolves itself chiefly into a catch-phrase.

To crystallize opinion, consolidate opposition, the Better Business Bureau of New York selected 260 members and non-members, local and national advertisers, sent them a letter listing certain fundamental principles of ad-

vertising (such as truth in fact and impression, fairness to competitors, conservation of public confidence) requested that recipients endorse and practise those "Fair Play Standards."

Half the number have already sent their endorsement, among them practically all the New York department and important specialty shops, and such national advertisers as The Great Atlantic & Pacific Tea Co., Melville Shoe Co., W. T. Grant & Co., A. C. Spalding & Co., Louis K. Liggett & Co., A. S. Beck Shoe Co., Alfred Durhill.

At a special committee meeting of the affiliated Better Business Bureaus, Inc., the national organization, the New York Bureau's "Fair Play Standards" were approved to be applied nationally.

### Mr. Appel Condemns

Speaking for a large portion of the industry, Joseph H. Appel, chairman executive board, John Wanamaker, New York, in a speech before the Advertising Council of the Chicago Association of Commerce, assailed the misuse of advertising; condemned "misleading claims of underselling, price 'baits', predatory price-cutting, comparative copy; predicted that waning consumer response to such advertising may force a change if cooperative appeal should fail.

He suggested that a fair play code be adopted by the advertising industry and made effective through the Federal Trade Commission.

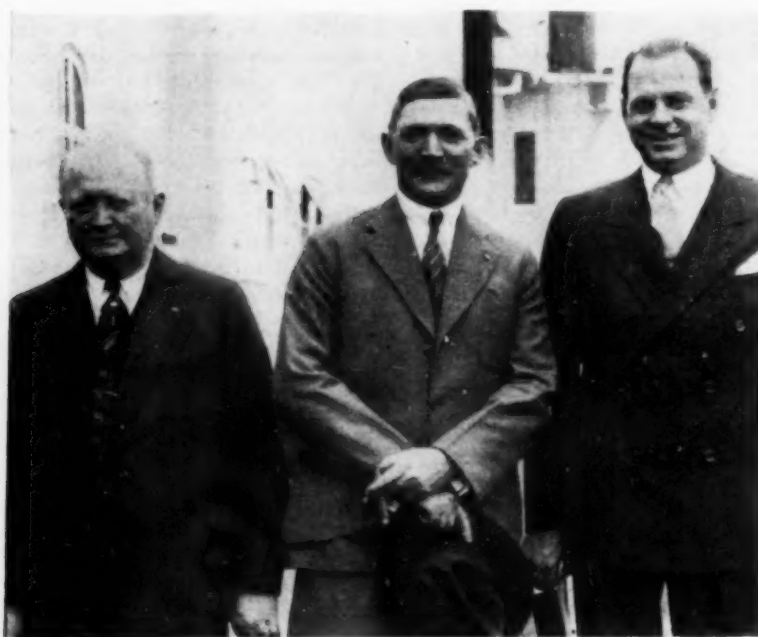
Meanwhile, the world's biggest store continues to say nothing—and sell goods. Macy sales for this year are reported to equal 1930 in dollar volume, exceed it by 20% in tonnage and number of transactions.

The 6% underselling line is still to be seen in Macy newspaper advertisements, but usually in only one of the daily group. Of this apparent reduction in its use, Macy officials have nothing to say. Likewise are they silent on Macy's resignation from the Retail Dry Goods Association, and on the "Fair Play Standards" of the Better Business Bureau.

### More Stores Seek Savings Of Pooled Delivery Plan

DEPARTMENT stores and other retail establishments that deliver goods to customers' homes are adopting the plan of consolidating delivery services that has made so much headway in New York and certain Pacific Coast cities (BW—Jan 28 '31). Purpose is to cut down costs, step up efficiency.

The combined service, now being

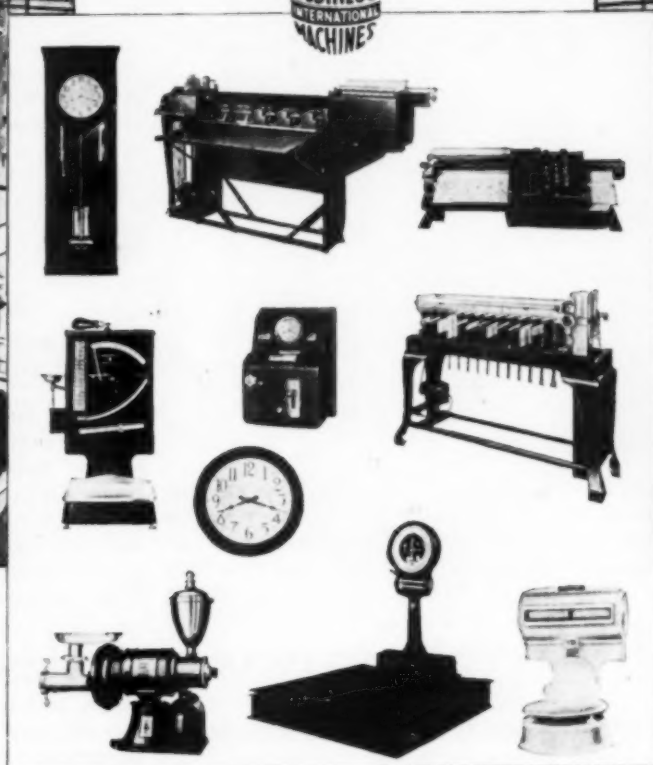
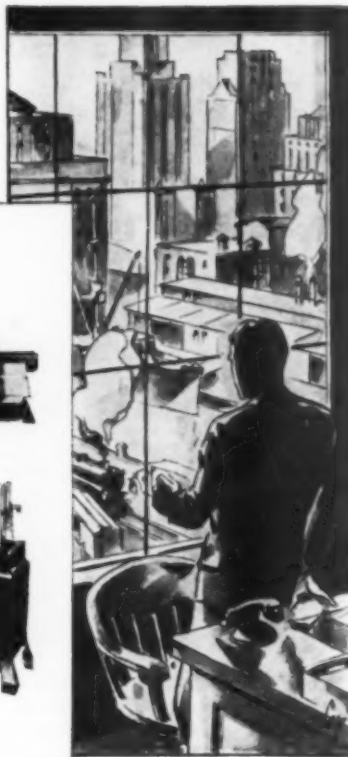


GENERAL MOTORISTS—Arriving from abroad, left to right, are H. T. Hickey, General Motors Realty Dept., William Knudson, president of Chevrolet, and Harvey Earl, director of the art and color section

FOR  
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# FOR AN ORGANIZED DRIVE FOR GREATER PROFITS

FOUR GREAT DIVISIONS  
WORLD WIDE IN SCOPE



**Time, Labor  
and Money  
SAVED**

**... PROFITS  
INCREASED**

Business and industry are confronted today with the necessity of eliminating waste in order to produce greater profits.

International Business Machines operate to this end. Their use lifts efficiency to its highest plane; creates a more substantial method of building profits than that of arbitrarily advancing prices.

The results these devices provide enable their users to conduct aggressive sales programs

in the most productive fields; to shift from less profitable to more profitable lines; to introduce better merchandising policies; to reduce costs and expenses; to conserve material; to develop new products along the current demand trend, and to establish other efficient procedures.

Whatever kind or size of business yours may be, there is an International Business Machine to help organize your drive for greater profits.

## INTERNATIONAL ELECTRIC TABULATING AND ACCOUNTING MACHINES (Hollerith)

that put record keeping on an exact basis, produce timely and accurate reports regarding every phase of business operations, and make the most complicated analysis a matter of routine simplicity.

## INTERNATIONAL TIME RECORDERS AND ELECTRIC TIME SYSTEMS

that give true facts about time, speed up office routines and plant operations, protect payrolls, and guarantee value received for time bought.

## INTERNATIONAL INDUSTRIAL SCALES

that eliminate waste of material, speed up the checking of material received and the distribution of material issued, and yield accurate accounting data.

## DATON MONEYWEIGHT SCALES and STORE EQUIPMENT

that quicken service, protect profits, increase business, and insure customer satisfaction.

# INTERNATIONAL BUSINESS MACHINES CORPORATION

General Offices  
270 BROADWAY  
NEW YORK, N. Y.



## Canadian Division

International Business Machines Co., Ltd.  
300 Campbell Ave., West Toronto, Ont.

Offices and Service Stations in All the Principal Cities of the World



APPLES AGAIN—John F. Deegan (right) distributing apples for sale by the unemployed in New York. Thousands of boxes were given to the men

sponsored by the Detroit Retail Merchants Association, involves formation of a separate corporation, pooling of equipment, establishment of definite routes and delivery zones. At the outset it may be restricted to parcels of limited size; eventually, it will include merchandise as bulky as furniture, radios, refrigerators.

The Retail Board of Trade of the Boston Chamber of Commerce has inaugurated a united delivery service for the Hub. Basic rate is 9¢ for city delivery, 10¢ for suburban, per "count" of 2,496 cu.in. (6"x16"x26"). A sorting station has been established, trucks purchased and an operating contract signed with Stones Express, Inc. of Providence, R. I.

Wm. Filene's Sons Co., Boston department store, has combined its delivery service with that of its affiliate, R. H. White Co., purchasing 10 new trucks.

#### Unite Cleveland Stores

In Cleveland a private corporation is organizing local stores for united delivery service, has already contracted to deliver over 500,000 packages a year.

In New York the United Parcel Service, starting with 320 vehicles, handling deliveries from 37 retail stores (BW—Jan 14 '31), now serves over 150 stores, has 275 scheduled daily trips, gives service twice a day in territories previously served but once daily, uses over 400 light delivery, furniture and bulk motor vehicles. •

Savings effected through consolidated delivery service range from 10% for stores that had previously operated an efficient service of their own, to as high as 50% where expensive or de-luxe service was maintained for a relatively few deliveries.

#### Shoe Chain, Lengthening, Leaves Off Weak Links

MELVILLE SHOE CORP., operating one of the world's largest chains of retail shoe stores, is applying the currently popular dictum that a chain is as strong as its weakest link. After an intensive study of its far-flung units, it has closed a number for lack of prospects and remodeled others. It now announces that it will open 50 strategically located new ones before the spring of 1932.

Selling popular priced shoes in its Thom McAn and Rival stores, higher-priced goods in John Ward stores, the company has at present 474 stores in 37 states.

While total dollar sales volume for first 9 months of 1931 ran only 5.8% behind 1930 despite 2 price reductions of 10%, and sales in units for the same period increased 26%, performance of individual units was found extremely irregular.

In Illinois, where the company operates 17 stores, sales increased 23.4%, went 44% higher in the best unit, 9.9% lower in the worst. Its 54 Massa-

chusetts stores increased sales 5.3% with the best store 29.3% higher, the poorest 11.7% lower. Its 108 stores in New York averaged 11.8% greater sales, the best store showing a 42.8% increase, the poorest a 13.3% decline.

Weak units now eliminated include most of the Traveler shops selling ladies' shoes. Today, 178 Thom McAn units carry a full line of ladies' shoes. Stores enlarged, remodeled and modernized total 75.

Improved methods have made possible an increased unit volume with 20% less inventory. More intensive training has improved personnel performance.

During 1930 the Melville Shoe Corp. sold 6,652,000 pairs of shoes; dollar sales were \$28½ millions, 12.2% higher than in 1929.

#### Refrigerator Coup Gets An Encore for 1932

THE 1931 cooperative advertising campaign, directed by the Electric Refrigeration Bureau, sponsored by the National Electric Light Association, has proved so successful (BW—Aug 3 '31) that members of the bureau have voted to continue the campaign through 1932.

Present indications are that the 1931 goal of a million refrigerators, representing \$250 millions in sales—originally set with small hope of actual accomplishment—will be reached before the year ends. The operating organization, comprising 12 regional directors, 48 state and several Canadian headquarters, 8,500 local bureaus, is functioning smoothly, ready to carry on.

The 1932 campaign plan just approved again sets a 12-month goal of a million units, provides for the expenditure of \$3 millions on magazine and newspaper advertising. In addition, manufacturers, utilities, and other interests will spend \$12 millions to \$15 millions more on their own account.

A special contest to stimulate off-season sales has been arranged for the period from Nov. 1 to April 30.

#### Correction: Lynn P. Talley Heads Bank of America

LYNN P. TALLEY has become chairman of the board of the Bank of America (N.T. and S.A.) of California and not of the Bank of California as stated last week. The Bank of America of California is a Transamerica affiliate, the Bank of California is entirely unrelated to it.

# As the Roadster excels the Tandem Bicycle

## Preformed Wire Rope excels old-fashioned ordinary wire rope



**The  
NEW**



**The  
OLD**

## Put Wire Rope on a service-per-dollar basis

... and realize what it would mean in dollars and cents if you get 30% to 300% increased service from wire rope.

• Think how a similar saving would reduce your operating expense! Even 30% longer life is a sizeable saving when translated into dollars. 300% and even greater increased services with Tru-Lay are common.

• That is why many large users of wire rope are standardizing on Tru-Lay ... because they find by actual test and trial that Tru-Lay delivers from 30% to 300% increased service depending upon the character of the service and type of equipment.

• That is why a growing number of manufacturers of cable-operated machinery include Tru-Lay Preformed Wire Rope in their specifications. They find that their equipment oper-

ates with greater economy and satisfaction when equipped with Tru-Lay.

*Send for this complete story*

Comparing Tru-Lay Preformed Wire Rope with old-fashioned ordinary wire rope is like comparing the efficiency of the modern roadster with the old-time tandem bicycle. Put wire rope on an up-to-date cost-per-dollar basis. Tru-Lay will save you money. • Let us send you, or the man in your organization responsible for wire rope, a copy of "Why Preformed Wire Rope." Write for it on your business letterhead.

**AMERICAN CABLE COMPANY, Inc.**  
New York Central Bldg., 230 Park Ave.  
New York City

An Associate Company of the American Chain Co.  
Incorporated



**TRU-LAY PREFORMED WIRE ROPE**  
**30% to 300% Increased Service**

Depending upon the character of the service and type of equipment



## June Sunshine's Healthful Benefits All Winter

at your  
desk...

### with the GENERAL ELECTRIC SUNLAMP

Don't go through another sun-starved winter, longing impatiently for summer and its health-giving sunshine. It isn't necessary... despite the fact that winter sunshine contains but little of the ultra-violet richness so important to health.

You can have virtually the same ultra-violet that June sunshine gives you, at your desk, with the General Electric Sunlamp... perfected by science... rich in beneficial ultra-violet... safe to use. It helps to maintain health... helps increase bodily resistance to common ailments.

#### New Low Prices

There are models for ceiling, wall and floor... for office, bathroom and sun room... at prices within the reach of all, and all models operate from most A. C. lighting outlets. See your G-E Sunlamp dealer, or let us tell you more about General Electric indoor "sunshine." For your health's sake send the coupon below.

When wiring or re-wiring your home, specify the G-E wiring system. It provides adequate outlets conveniently controlled and G-E materials throughout.



## GENERAL ELECTRIC SUNLAMP

General Electric Co., Merchandise Dept.  
Section L-2311 Bridgeport, Conn.

Please send me free booklet "Sunshine and Health" telling all about the benefits of ultra-violet.

Name.....

Address.....

## Buick Opens New Model Season With Clutch and Ride Control

WITH the introduction of the new Buick the middle of this month, the automobile industry launches its 1932 drive for business. New Buick features include the Bendix automatic clutch control, a ride control for regulating shock absorbers similar to that introduced last summer by Packard, straight 8 engine with high or low compression optional, and a modified stream-line body which retains enough of its characteristics to identify the 1932 models as Buicks.

#### Low Stutz Prices

Stutz is making a bid for a larger share of the quality market with a new line of cars at the lowest prices in its history, some models being \$1,200 less than 1931 models. Its DV-32 is the first stock car in the world selling under \$10,000 which uses the dual valve, double overhead camshaft principle, high production costs heretofore having made it impracticable. The car also has synchro-mesh transmission and optional free wheeling. The Stutz SV-16 is a straight 8 with new body lines and mechanical improvements. These two lines are supplemented by a smaller car at a considerably lower price, offered in 4 body types. The low prices are explained by the company's having already written off retooling expense of \$1½ millions, economies in overhead and reduction in materials and labor charges.

The trend toward streamlining is embodied in the new Auburn speedster model of custom type design, which includes a boat-shaped rear section, slanting V-type windshield and gracefully curved doors conforming with the sweeping body lines. The entire design suggests speed. With 127-inch wheelbase, this sport model has a convertible top and is built close to the ground, the overall height being only 63 inches. Much interest centers on what Auburn will do to maintain its sensational performance of this year, but little news has come out of the Cord offices at Auburn, Indiana.

#### More Dec. 1

Hudson Motor Car Co. is planning to announce its new cars about Dec. 1; Oakland-Pontiac and Oldsmobile are expected to wait until the January shows. Packard and Nash probably will rely on their present models, which were introduced the past summer.

New car registrations in September

are estimated at 125,000 units, with 75% in the low-price field, 22% in medium-price class and 3% in the quality group. Sales for October are expected to decline, with a further reduction in November.

#### Small Floor Stocks

However, production has declined a corresponding amount and dealers find themselves with small stocks on hand. Never has the industry gone into a new year in a better position so far as dealer stocks are concerned. Few clean-up sales are necessary. Some manufacturers are looking hopefully at the Christmas trade, are bringing out new models early to get a share of it.

Earnings of motor car makers have been far from satisfactory. In the third quarter, General Motors made 25¢ a share, compared with 53¢ in 1930; in first 9 months \$2.08 compared with \$2.68 last year. Packard earned \$14,080 during the first 3 quarters, compared with 45¢ a share last year on 15 million shares. Hudson reported a large loss in third quarter and small loss for first 9 months, the third quarter loss more than offsetting the small profit in first half. Hupp Motor Car Corp. lost \$895,184 in third quarter, or twice the loss in same period last year. Studebaker made a comparatively good showing, with net profits in third quarter equal to 18¢ a share against 20¢ in same quarter of 1930. For the first 9 months it earned \$1.09 compared with \$1.23 last year. Chrysler made the best showing in the industry, with third quarter earnings of 34¢ a share compared with a loss of 21¢ in the corresponding period last year. Its earnings for the first three quarters were 85¢ a share, against 56¢ last year, due in large measure to Plymouth's performance since mid-year.

#### Cash Position Good

Despite losses or profits, the cash position of almost all motor car companies is much better than a year ago. General Motors for example, had cash and other marketable securities on Sept. 30 of \$264 millions compared with \$179 millions a year previous.

The probability of increased railroad rates for the motor car industry, amounting to \$2 a freight car for finished automobiles and \$6 a car for materials and car parts, is not disturbing manufacturers. It means that much of this

traffic is likely to be diverted to trucks and waterways. Recent reductions in rates on finished automobiles have been disappointing, due to declining volume on account of the depression and to rates still too high to many points to compete with trucks.

## Detroit May Get Natural Gas

DETROIT CITY GAS CO. is negotiating with Columbia Gas & Electric Co. to bring natural gas into Detroit and mix it with artificial gas for industrial and domestic consumption. Columbia now has a pipe line running to Toledo and Cleveland from the Kansas fields, proposes to extend it to Detroit.

If the project goes through, it is believed industrial rates in Detroit can be lowered from 40¢ to 35¢ per 1,000 cubic feet for large consumers. It is known that some large Detroit industrial plants, particularly the Great Lakes Steel Corp., would like to use gas for heat-treating purposes provided that the price is reasonable, as natural gas is regarded by them as the most satisfactory fuel for their needs.

However, it is doubtful whether rates for mixed gas could be low enough to attract much business, as other fuels are so cheap. It is estimated that fuel oil constitutes 75% of industrial fuel used in Detroit today, artificial gas 10%.

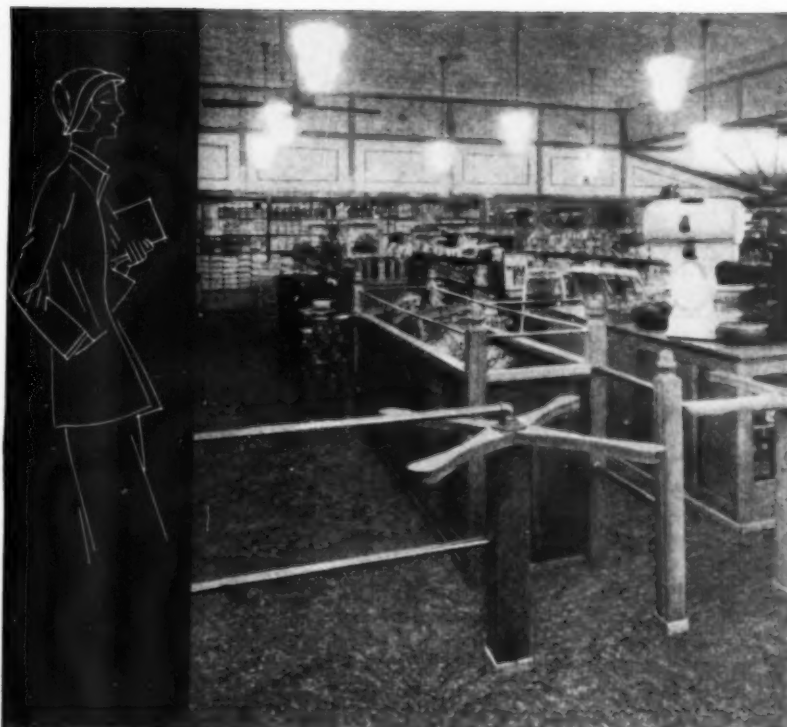
## Grasshoppers Ate Grain But Fattened Turkeys

GRASSHOPPER-FATTENED turkeys, finished off for about 2 months with grains provided by relief organizations, will bring needed profits to farmers of the drought areas of North Dakota, South Dakota and Montana.

Grasshoppers, which reduced the wheat crop of Montana, the Dakotas, and Minnesota to about 70 million bushels compared with 215 million bushels in 1930 and 300 millions in 1928, provided excellent feed for the turkeys which will start to the Eastern markets for the Thanksgiving market early this month.

Where turkeys were produced in large numbers, they were herded through the grain fields, sweeping them clean of the pests.

The quality of turkeys this year is unusually good and the supply is about 2% larger than a year ago. Prices in the St. Paul market promise to be 25¢ to 30¢ a pound.



## . . Kroger believes in modern selling methods

Here's a picture of one of the newest Piggly-Wiggly stores, operated by Kroger Grocery and Baking Company. It's the kind of store that draws business from competitors. Why? Simply because most people prefer to spend their money in shops that look prosperous, up-to-date and efficient.

One of the first things customers see in this store is the distinctively beautiful floor of Sealex Veltone Linoleum. It's a floor that "decorates," yet it is thoroughly practical in every respect.

Floors like this can be laid right over the cracks and splinters of old shabby floors—in fast time and at moderate cost. And when installed by an authorized contractor of Bonded Floors, they are backed by a Guaranty Bond, issued by U.S. Fidelity and Guaranty Co.

Write our Business Floors Department. Get the facts about floors that impress customers and increase sales.

CONGOLEUM-NAIRN INC. . . KEARNY, N. J.



# Country's First Cartel Proposed To Stabilize Steel Fabrication

**But production quota plan eschews price-fixing features of European prototype**

THE steel fabricating industry seems destined to give the United States its first example of the European cartel system, but without the European price-fixing features. A plan offered last week to the American Institute of Steel Construction, and endorsed by it after thorough discussion, calls for a cooperative quota system whereby each steel fabricator will be urged, on penalty of fine, to restrict its output to a tonnage corresponding to its share of the country's total steel fabricating capacity.

The legality and practicability of the proposals, corresponding in some respects to the now-famous Swope Plan (*BW*—Sep 23 '31) is now being studied by directors of the institute. Should they approve, a special meeting will be called soon at which the institute will be asked to delegate authority to make the plan effective at once.

## **Business by Logic**

The program, developed under the leadership of Howard A. Fitch, president of Kansas City Structural Steel Co., and presented to the institute by C. G. Conley, president of Mt. Vernon Bridge Co., seeks first a division of the country into logical trading areas with a local organization of steel fabricators in each area, all associated with the institute.

At the outset and at the beginning of each year thereafter the annual capacity of each member and the ratio of its capacity to the country's total would be determined. This ratio multiplied by the total tonnage sales would give each member his quota. Monthly sales in excess of quota would bring down penalties—\$2 a ton for the first 5% above quota; \$3 a ton for the second 5%; \$1 a ton for each additional 5%. Penalties would be paid to the central body for use at its discretion.

## **Would Publish Figures**

In practice monthly reports of current bookings would be made by individual fabricators to the local association, and by them to the central organization. From these data the central office would disseminate information showing the month-to-month operating ratios indicated for the country, for each local association, perhaps for each fabri-

cator, so that they need not wait for the end of the year to know how they stood on quota output.

Unlike many industries, steel fabricating is not faced with overproduction or an excess of supplies. It operates on a custom basis, rarely buys its raw materials before an order for its completed product is on the books. Its trouble is overcapacity. With a maximum estimated capacity of 5 million tons a year it has never sold over 3.3 million tons and this year its total output will be little more than 2 million tons.

## **Shady Fighting**

In an effort to keep plants operating at as near capacity as possible most fabricators have fought bitterly for business, shaded prices, invaded foreign territories and utilized other methods to an extent which has closed many shops entirely and thrown many more for a loss.

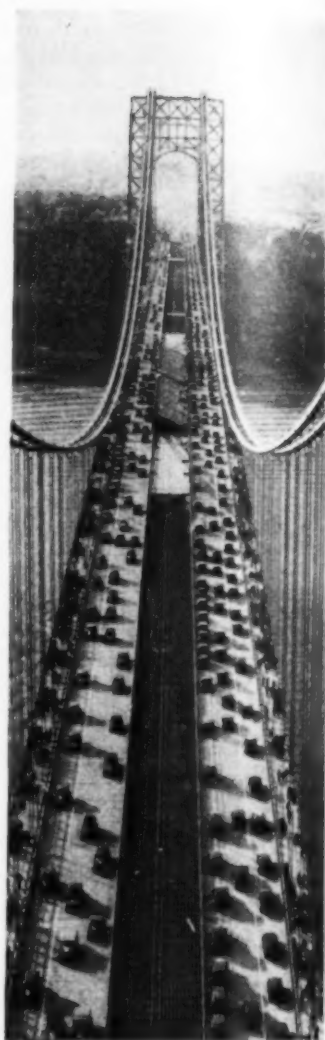
The new plan is based on the supposition that every member of the institute is entitled to his fair share of the business available. If total business contracted over the country is only 40% of capacity, as it is this year, the shop rated at 10,000 tons capacity would be entitled to fabricate 4,000 tons. If it contracted more than that its dues to the institute would be increased.

## **Ground Rules**

Monthly dissemination of bookings would be expected to discourage fabricators from attempting to secure business in a distant district where the reported operating ratio was below the industry average. It is hoped that rules can be devised whereby a fabricator will not attempt to operate outside his own district without first notifying the local association of the district on which he has designs.

Chief question to be raised over the plan will be in regard to its legality. Sponsors emphasize that it has no intention of raising or fixing prices; that, rather, it assures a fabricator who is below his allowable operating ratio that he need not cut his prices since his more fortunate competitors will have to raise theirs to make up for the penalties imposed by their excess production.

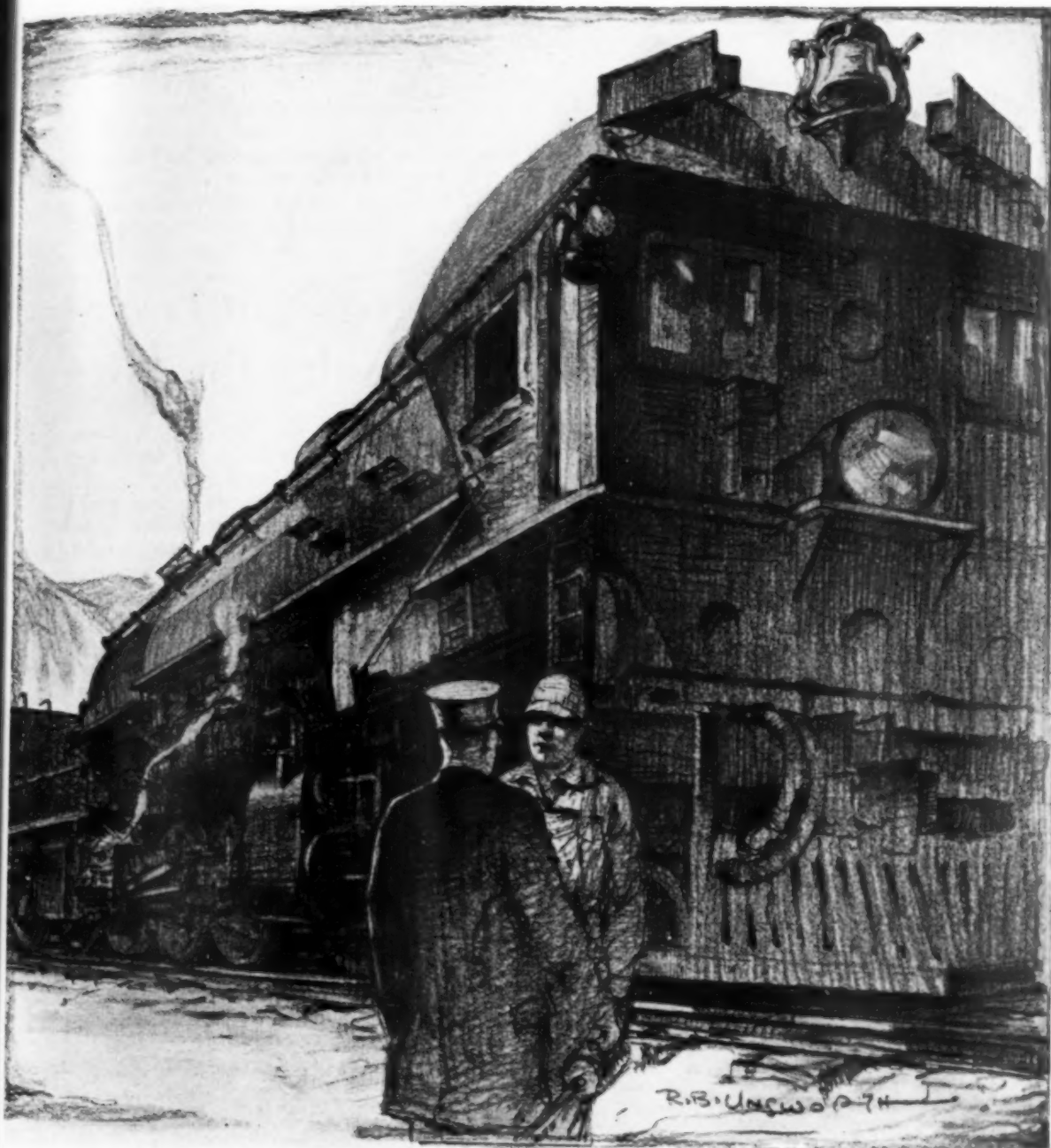
Upon entering the plan each partici-



**OPEN FOR BUSINESS**—The new bridge across the Hudson carries 5,000 cars an hour between New York and Jersey on opening day

pant would be asked to deposit 25¢ a ton rated capacity as evidence of his good faith. Since rated capacity of the industry is at least 4 million tons this would give the institute over \$1 million as an ace in the hole against all emergencies. W. M. Wood, president of Mississippi Valley Structural Steel Co., who offered the resolution of endorsement, made the suggestion that penalties collected for overproduction be used to create an unemployment insurance fund for employees of the industry along the lines outlined in the plan proposed by Gerard Swope.

Objections that the plan puts a premium on inefficiency and restricts individual plant growth in guaranteeing each his fair share of business are answered by the statement that efficient



ALL OF CALIFORNIA'S FIVE GREAT RAILROADS find unique advantages in banking with Bank of America. In California these roads annually pay over \$90,000,000 in wages, haul 50,000,000 tons of freight, carry 40,000,000 passengers. Bank of America's statewide service, through 415 branches in 243 communities, helps these depositors transact business safely, quickly, economically. What does this exceptional service offer to your business? Let your own banker advise you, or write Bank of America, San Francisco or Los Angeles.

## **BANK OF AMERICA**

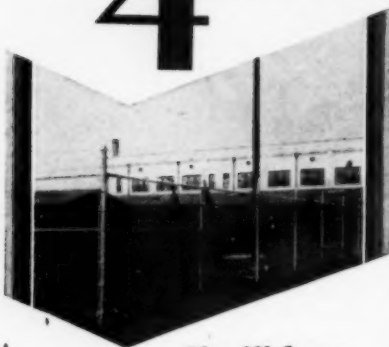
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Bank of America National Trust & Savings Association, a National Bank and . . . Bank of America, a California State Bank . . . are identical in ownership and management . . . 415 offices in 243 California communities

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■ Before fencing your grounds, call in a PAGE FENCE expert. He will tell you which PAGE FENCE will give the longest service in your locality. He will offer worth while suggestions from plans to erection. Write today for his name and address and for a copy of our new booklet, "Border Patrol," which contains complete information and shows various styles. No obligation. Address Page Fence Association, 529 N. Michigan Ave., Dept. D93, Chicago, Ill.

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*Free of charge from factory to exclusive work Page*

fabricators can allow for penalties and still beat the inefficient unit; that each fabricator can grow by taking more than his allotted share of the business. He pays the penalty but next year his allowable output will be increased.

Although details were worked out only a few days prior to the convention of the institute at White Sulphur Springs, the plan received much discus-

sion from leaders of the industry during the week and most comment was favorable. Careful observers believe that the directors will formally approve it and that within a few weeks at most the first rational attempt to stabilize output in an important American industry will be under way. That every move will be watched with intense interest by business men goes without saying.

## U. S. Lines Agreement Leaves Intercoastal Rivalry Unsettled

THE uniting of the Dollar-Dawson-Chapman interests with the Roosevelt steamship group for the purpose of reorganizing the United States Lines has placed American shipping strength on an equal footing with foreign operators in the highly competitive North Atlantic service. Government shipping officials are now interested in knowing just how much will be done to restrict the competition between the intercoastal lines that are operated by each of the groups.

The feeling prevails in Washington that no matter how close an understanding may be worked out between the two there will still be a necessity for governmental regulation of intercoastal rates. In the first place, it is not known yet how completely the I.M.M. is involved in the new deal. There has been a close financial relationship between the Roosevelt lines and the I.M.M. and it is generally supposed that this was not changed by the agreement between the Roosevelt company and the Dawson-Dollar combine.

### Doubt Effect on Freights

Government shipping men do not believe that any agreement between the rival intercoastal lines involved in the consolidation will accomplish much toward stabilizing conditions in the service. The lines in question are operated by high-speed passenger vessels. It is the slower ship carrying a bulk cargo that is the basic factor in the intercoastal trade. Cargo rates would not be affected by agreements concerning passenger ships and it is these rates that are in such a chaotic condition at the present time.

In every conference held by intercoastal carriers for the purpose of agreeing on a rate structure, the Shipping Board has stood by to lend its good offices but has indicated that the only solution to the matter is regulation. On

several occasions board members have recommended that intercoastal carriers be regulated and they are likely to ask it of Congress.

The intercoastal lines, however, are now doing everything to avoid government control. A special committee appointed by them to investigate the situation has recently suggested the establishment of a new intercoastal pool to take the place of the defunct U. S. Intercoastal Conference.

The plan this committee proposes would establish fixed quotas of cargo for the competing lines and to pool the income from excess cargo carried by any of the lines and distribute it among the rest. Carriers in the pool would be divided into "A," "B" and "C" groups, the fast-service lines being in the first class and charging the highest rates.

### Result of Conference

Meetings on this plan were held in New York all last week. Their result so far has been an agreement to stabilize cargo rates until Feb. 1, 1932. By that time, it is hoped, all difficulties will be ironed out and a new conference organization set up.

Under the terms of the contract for the reorganization of the United States Lines, the Shipping Board receives some \$3,170,000 for its mortgages held against the line. The new holding company—the U. S. Lines Co. of Nevada—is required to put up \$3,500,000 cash. Of this \$2,500,000 represents payments on the two 30,000-ton liners under construction at Camden. An operating bond of \$2,500,000 is also required. It is understood that the Dollar-Dawson-Chapman group and the Roosevelt Steamship Co. will receive an equal division of the shares of the new company. Details of the operating agreement will be worked out in conferences to be held in New York.

Whatever form the new agreement

takes, Stanley Dollar dominates the situation.

Publicity focuses upon the traits and feats of Captain Robert Dollar. But his chroniclers have generally overlooked the greatest accomplishment of his life: the training of a son big enough to carry on an immense business with the drive and vitality of its originator.

While the captain always has been busy, always has had columns written about him, the real head of the business during the last 10 years has been Stanley Dollar. Stanley, whose title is president of the steamship line, has the round cheerful face, the spectacles, the thinning hair of the average American business executive. He is 51 years old, married, has a boy and a girl, lives in Piedmont, Calif., has a summer place on Lake Tahoe and a ranch where he vacations when the multiple demands of his companies will allow it. He gets a great deal of fun out of motorboating, which is Stanley, Jr.'s hobby.

#### A Spartan Scot

Mr. Dollar is easy to meet and easy to talk to. A remarkable memory helps him call the names and indulge an interest in employees all over the world. He is the result of Spartan training with Scotch refinements. When Stanley was very young his father lost all his money. He finished grammar school and spent 6 weeks in a "business college," which was all the schooling he had. When he was in the 8th grade his teacher said to Captain Dollar,

"I suggest you take Stanley out of school and give him a job. He'll never amount to much."

So at 15 Stanley was put at hard work under the superintendent of freighters. From that time he has been closely associated with his father in business.

#### Dawson, of Portland

Kenneth D. Dawson, associate of the Dollars in the U. S. Lines deal, has a similar keen sense of values when dealing with the all-powerful Shipping Board. He was born in Santa Ana, Calif., 44 years ago. His first job was clerking for the Santa Fe railroad. Later he became telegrapher and worked for the operating department of the road. Tiring of railroading he turned his interest seaward. From a shipping firm in Los Angeles he shifted to another in New York, where he became manager. His entrance into shipping on a larger scale came in 1920 when he moved to Portland, Ore., to manage the Columbia-Pacific Shipping Co.

His interests now form the largest individual steamship operation of the Pacific Northwest.



## DON'T RUN A SWEAT SHOP

Eye-scorching, throat-parching, sleep-inviting, strength-sapping arid steam-heat, running wild is as great a destroyer of employee efficiency, productivity and health as many of the "inhuman" working conditions for which the sweat shops of past and scorned decades were noted. It dulls otherwise clear heads and slows up nimble hands. It invites accidents, causes epidemics of colds and worse to disrupt organizations and involve needless sick leaves, trouble and expense. It damages products in manufacture and storage, dries out furnishing and fixtures. It is an economic waste that should have no part in this day of business convalescence.

Building heat can be controlled easily, efficiently, at low cost and at a real fuel saving. Fulton Sylphon engineers point the way with two types of regulators that have won universal approval.

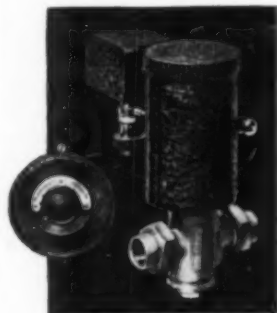
For buildings utilizing direct or concealed radiators and convector heaters, Sylphon Thermostatic Radiator Valves replace ordinary radiator valves, and assure constant maintenance of uniform healthful room temperatures automatically, day in and day out, in spite of varying weather conditions and different room exposures. Write for Bulletin No. VW-255 that points the way to new room temperature comfort for large buildings.

For buildings utilizing unit heaters, the Fulton Sylphon Unit Heater Control that thermostatically regulates both the steam flow to, and the fans of one or a group of unit heaters, gives you heat as you want it, where you want it, at the lowest possible cost. Write for Bulletin No. SF-540.

Both types are self-contained, self-powered, self-reliant, long-lived regulators that require no complicated piping or wiring. They save the fuel that would normally be wasted through overheating—and fuel saving is a capital saving in overhead. Investigate. It will be worth your while.



Fulton Sylphon Automatic Radiator Valve



Fulton Sylphon Unit Heater Control

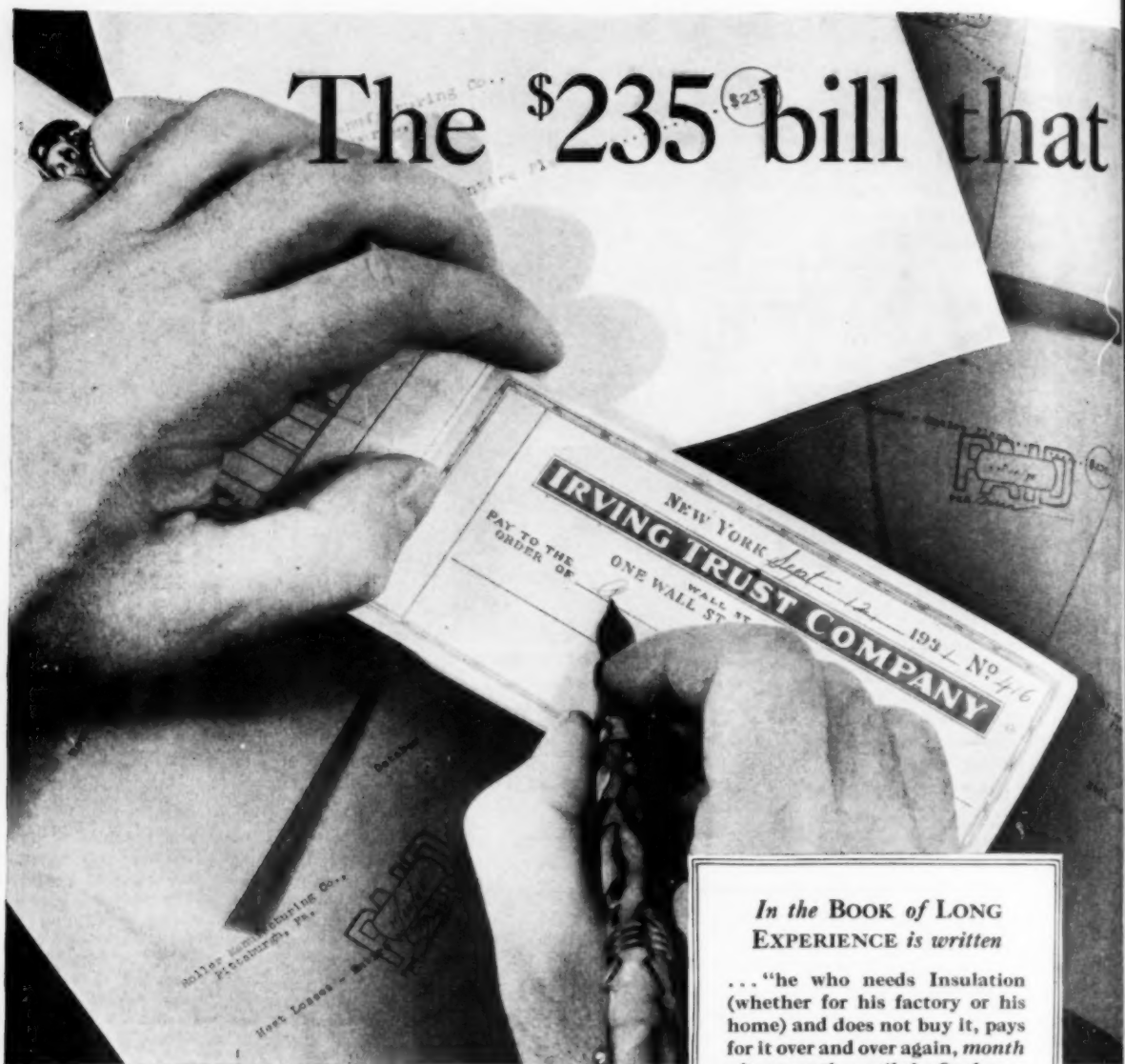


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# The \$235 bill that



**In the BOOK of LONG EXPERIENCE is written**

... "he who needs Insulation (whether for his factory or his home) and does not buy it, pays for it over and over again, month after month, until the final purchase is made."

## "280,000 gallons of oil— \$11,579 yearly saving"

The open hearth furnace pictured below—operated by the OHIO STEEL FOUNDRY Co., Lima, Ohio—is insulated with J-M Materials. Temperature in the regenerator varies from a minimum

of 1600°F. to a maximum of 2400°F. As a result of J-M Insulation, oil savings amount to 280,000 gallons per year. Net annual savings total \$11,579.85—an annual return of 418% on the investment.



Reversing valve and regenerator chamber of the open hearth furnace, Ohio Steel Foundry Co., Lima, Ohio.

Rotary cement kiln at the Clinchfield, Georgia Plant, Pennsylvania-Dixie Cement Corp. J-M Insulation saved \$4,770.00 on two kilns.



## "2 kilns save \$4,770 yearly"

Because of high temperatures used in rotary cement kilns, heat losses due to radiation are exceedingly large unless proper insulation is used. At Clinchfield, Georgia, the PENNSYLVANIA-DIXIE CEMENT CORP., resorted to J-M Insulating Blocks to solve this problem. J-M "Superex" was applied to one kiln in Aug. 1929, to a second kiln soon after. Daily records show a net annual savings of \$4,770—a 120% return on the investment.

# It was paid 96 times for "goods" never received

J-M INSULATION stopped this costly waste ...  
and paid for itself in 8 months

IT seemed impossible. But it was a fact. Harrison—who always "watched" costs, now had to admit that for a period of 8 years, he had actually paid and repaid the same \$235 bill *ninety-six times*—month after month, AND HAD RECEIVED ABSOLUTELY NOTHING IN RETURN!!

Yet what Harrison did is not so strange. Today, scores of other factory superintendents, plant managers, purchasing agents—at a time when the need for economy is drastic—are guilty of the same extravagance.

And they don't know it. Harrison didn't know it. For this isn't the ordinary type of bill. It doesn't come through the mail. It isn't delivered. Nobody ever sees it. It is from no particular person—to no particular person. It allows no discount. Its terms are strictly cash. No matter how many times it is marked "PAID," it always comes back. And it gets paid again on the first day of the following month with the regularity of clockwork.

The bill that Harrison paid was for

heat losses—heat that constantly escaped through bare or poorly insulated pipes all over the plant. Not until these pipes were properly insulated did this bill—for waste—stop coming in. And the insulation, that Johns-Manville Engineers recommended, entirely paid for itself in 8 months.

. . .

Just 1 ft. of a 6-inch bare pipe alone loses 2 lbs. of steam per hour—or 14,400 lbs. of steam per year. Imagine the heat losses in an entire plant—any plant—perhaps your plant—over the period of a year. Figure the dollar losses. Then you have arrived at the real value of proper insulation.

For more than 70 years, Johns-Manville has built up a background of engineering experience unequaled in the field of thermal insulation.

Today, there is a J-M insulation to take care of every temperature condition from 400° below zero to 3,000° above. Back of the product is a nation-wide service organization. Ask for a plant inspection. A J-M Engineer will study your insulation problem, report what can be saved, and how. Address Johns-Manville, 292 Madison Avenue, New York City.

## "Winter fuel costs reduced 50% Summer Heat cut 12°F."

You can duplicate in your home the experience of Dr. E. W. DODEZ, Ft. Wayne, Ind. You, too, can be cool in the summer—warm in the winter—at low cost.

Dr. Dodez insulated his home with J-M Home Insulation, a rock-wool material which is blown into the empty spaces between the inner and outer walls of the house. Records of oil consumption for a complete heating season show 50% saving since the insulation was installed—a 12°F. reduction in temperature on hot summer days. Write for the booklet on J-M Home Insulation. Find out how to combine comfort and economy.



# Johns-Manville



Controls

HEAT, COLD, SOUND

Protects against

FIRE AND WEATHER

# Ordeal of Depression Justifies Life Insurance Conservatism

**Farm values go down, real estate slumps, and still only minor readjustments are needed**

RECENT dividend reductions and other readjustments by some life insurance companies focus attention upon these institutions for the first time during the long period of depression and deflation. Yet throughout they have been probably the most important stabilizing influence to business and finance. And they give strong indication that they will continue so to be. The waves that have inundated so many institutions have washed rather lightly the foundations of life insurance.

## New Capital Supply

Admitted assets increased \$1,843 millions, 13%, in the 19 months of depression that ended July 31. That has meant a supply of capital for industries that can provide conservative investment, a steady rise in protection owned by more than one half of the nation. Enormous payments to policyholders and beneficiaries have moderated the decline in buying power and the increase in want.

How have the life companies been able to maintain such strength? What is their position now and what is the outlook? To these questions *The Business Week* has sought answers because of their importance to business.

## Immutable Mathematics

The life companies have been able to weather depression and deflation better because they have a mathematically solid foundation such as is possessed by no other business and because greater conservatism has marked their operations. They are founded upon carefully and conservatively compiled mortality tables and upon the workings of compound interest. Charges for insurance are based predominantly upon these 2 factors.

Americans have been more completely sold upon life insurance than any other idea or commodity. Sixty-five million policyholders covered by \$128 billions of insurance pour an unceasing river of funds into the companies on the basis of charges so carefully determined as to make these funds plus earnings on investments more than adequate for the outflow to policyholders and beneficiaries. The excess was \$1,843 millions in 19 months, as noted. This excess

provided a large total for reinvestment; has resulted in the life companies being at times almost alone in the lending and security buying fields. Some of the leading companies invest funds at the rate of \$1 million per day.

This excess is the source of strength. It arises primarily from less than expected mortality and from more than expected earnings. For a selected group of companies, mortality from 1921 to 1930 ranged from 54.3% to 61.8% of expectation. And investments yield from 4% to 5% or more compared with 3% to 3½% expectation. Earnings make the better comparison with some other financial institutions in that income is steady, and since the companies are not deposit institutions, they can keep funds more fully employed. The companies are thus provided with a cushion of safety that is probably unequalled.

Losses of life insurance companies have been much smaller during depression than for practically any other group of companies. The life companies are investors in the pure sense of the word. Unlike banks, they are not tied to the business cycle through commercial loans.

They buy securities to hold until maturity. Their statements need give no consideration to fluctuations in security prices. Rather, securities bought are amortized from cost price to par and shown on that basis, so long as interest is paid. That alone makes their position vastly different from the status of other institutions which must readjust for market price fluctuations. American and most Canadian companies do not hold common stocks. Both the law and policy make the companies most conservative investors.

## Policy Loans Mount

Mortgage loans likewise are made by the life companies on a more conservative basis than the average. Policy loans, the other important use to which insurance funds are put, are on a basis such as to give the companies absolute security and earnings above the average. The rise in policy loans has been enormous during the depression.

The size of the life companies plus



It's "BOULDER DAM" ON THE JOB—And not without reason. Danger of falling rock made necessary the construction of boulder-proof armored-roof cabs on these trucks, 2 of the 50 heavy Internationals just ordered

their freedom from local interests enables them to diversify their assets on so broad a scale as to give unusual stability.

Chief asset items of the companies have increased steadily through depression, except farm loans. The table shows figures reported to the Department of Commerce.

**Table of Assets**

	(Millions \$)		% Gain		% Admitted Assets	
	July 1931	Dec. 1930	July 1931	Dec. 1930	July 1931	Dec. 1930
Admitted Assets ...	15,978	14,135	13			
Mortgage Loans ...	6,353	6,048	5	39.7	42.7	
Farm Loans, 1,535	1,591		*3.6	9.6	11.2	
Govt. Bonds, 1,213	1,053		15.1	7.5	7.4	
Utility ....	1,662	1,319	26.0	10.4	9.3	
Railroad ...	2,657	2,539	4.6	16.6	17.9	
Loans to Policyholders, 2,388	1,842		29.6	14.9	13.0	

\*Decrease

But, though depression and deflation have affected the companies to a smaller degree, their escape has not been complete. The huge reserves which the companies carry against contingencies have been declining. Real estate loan difficulties have been largely to blame, for thus far very few bonds have been defaulted even as to interest, despite the great decline in corporate earnings. The terrific decline in valuations, appraisals, and income from real estate has embarrassed some loans, especially on farm land. Foreclosures have been necessary, although the policy has been to avoid them when possible.

#### Some Readjustments

Figures indicate that real estate now owned constitutes a smaller percentage of assets than 25 years ago. The total, however, is much larger. And in view of the deflation, real estate ownership is almost certain to increase for some time to come. Some bond defaults, too, are likely. Mounting policy loans (borrowing from the widow), premium notes, and cash surrenders of policy also are causing some difficulties. For these reasons some companies see the course of wisdom to lie in making some readjustments.

Dividends to policyholders are an important method and 2 leading companies—Union Central and Mutual Benefit Life—as well as some smaller ones have already announced reductions for 1932. Disability insurance, long troublesome, is being cut out of new policies of some companies.

These readjustments, while important, are not of major significance in considering the position of the companies.

Real trouble is extremely unlikely.

## JUDGE IT YOURSELF

WE WILL SEND YOU  
A PORTFOLIO  
OF SAMPLE SHEETS

WHEN all is said and done, the way to judge this new bond paper is to see it, feel it, put it to any test you wish.

Why not mail the coupon now for a portfolio of **MANAGEMENT BOND, A HAMMERMILL\* PRODUCT?** See the paper in all its colors and weights, examine the specimen sheets—then judge for yourself how this new lower-priced, watermarked bond fits into your organization requirements.

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Gentlemen: I am attaching this coupon to my office letterhead. Please send me a Portfolio of Management Bond, the lower-priced paper made by Hammermill men.

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B14

PLEASE ATTACH THIS COUPON TO YOUR OFFICE LETTERHEAD

## KIPPY-KIT GIFT ITEMS

PLEASE customers, dealers, sales and office force with Kippy-Kit's novel, useful, smart "Packets of Tidiness." Over a score to choose from. Sensationally low quantity prices. Send for catalog and price list.



### eM-Dee AID "You Be The Doctor"

KIPPY-Kit's improved, enlarged, first-aid kit, with dust-proof glassine protector, standard-size packages. Includes handy tape bandages, individually wrapped in sanitary envelopes; Skin Patch, mercurochrome, absorbent cotton, adhesive tape, unguentine, eye water, gauze, scissors, tweezers, aromatic spirits of ammonia, 2 droppers.

	FABRIKOID	LEATHER
25 to 100...	\$1.50 each	\$2.00 each
100 to 500...	\$1.45 each	\$1.90 each
500 to 1000...	\$1.40 each	\$1.85 each
Regular size, 67 to 73 cents each.		
"Compliments of" and firm name imprinted free. Individual gift boxes.		

### JAX-TY-RAK



KEEPS ties neat, easily accessible. Made of pyralin, reinforced with metal springs. Fastens easily, securely to wall or door. Grips individual ties firmly to prevent slipping. All ties completely visible. Pyralin springs won't tarnish.

25 to 100.....	.62c each
100 to 500.....	.60c each
500 to 1000.....	.58c each

"Compliments of" and firm name imprinted free. Individual gift boxes.

All Prices F. O. B. Circleville, Ohio

WRITE for CATALOG also showing  
**THE KIPPY-KIT Co.**  
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TAT

## The Show Business, Too, Becomes Bankers' Business

While the stage blames the movies, creditors say it was too crowded for a good depression act

NEW YORK bankers have hot and cold flashes when they recall the fantastic management methods discovered when they had to straighten out motion picture corporations. Now they blench before the threat of being called for a third-act rescue of the American theater.

The Shubert Theater Corp., controlling company for the frères Lee and J. J., largest enterprise of its kind in the world, recently laid down its arms before a sea of troubles and accepted the sanctuary of receivership. The \$20-million concern is said to be solvent but a \$3-million loss was sustained during the last 2 years. Defaulted bond interest, the inexorable approach of other settlement dates, motivated the climax.

### Vast Holdings

Wily have been the brothers in their stage activities, wily they remain in the present extremity. Hungry bondholders scan the receivership statements and emerge to ask questions, hotly. Are there valuable properties or leases owned privately by the Messrs. Shubert, or owned by other corporations not affected by the receivership? How about the London theater-properties sold last summer at a reputed price in the neighborhood of \$2 millions?

So vast are the Shubert holdings that their condition reflects the present parlous state of the American "legitimate" stage. In New York the interests own and operate 23 theaters, have part interest in 5, lease 26, hold ground leases on 7. Outside New York, theaters owned and operated by the Shuberts number: Chicago, 5; Boston, 4; Philadelphia, 3; Detroit, 3; Cincinnati, 2; Newark, 2; Pittsburgh, 2; and 1 each in St. Louis, Cleveland, Baltimore, Kansas City, Buffalo, Wilmington. The total has run as high as 95 first-class houses.

### Irving Trust, Impresario

The corporation now operates with the Irving Trust Co. and Lee Shubert as equity receivers. Production of shows will continue but the Irving Trust will be faced with the difficult job of OK-ing expenditures for offerings that will capture the public fancy.

Following the Shubert action, the mercurial A. H. Woods, producer, filed a bankruptcy petition. Liabilities are

listed at over \$1 million, assets at \$1,668,359. Meanwhile, the Manufacturers' Trust Co., holds the hoodoo Hammerstein Theater under a foreclosure sale, and is baiting possible long-term leases with low rental figures.

### Hammerstein's Troubles

Arthur Hammerstein, son of famous and silk-hatted Oscar, lost \$1 million on the building, to say nothing of additional sums dropped in unsuccessful productions. Other theaters and producers are up to their eyes in red ink, being deterred from bankruptcy by the reluctance of bond and mortgage holders to throw properties on a market where demand is deadlier than poor Yorick.

Walking the hard flagstones of Broadway on thinning shoe-leather, the unemployed actor turns up the collar of his inadequate overcoat against the nip of the November wind and croaks bravely, "You cannot kill the stage!"

Maybe not. But you can make it mighty sick. A few statistics of New York will indicate the present state of its ailment.

### 53 Vacant Houses

There are in the metropolis some 86 legitimate theaters. Only 33 of them are tenanted by shows. Last year at this time there were 44—and that was a bad season. Not included in the occupancies are several that have stooped to burlesque or cheap vaudeville, and the fortunes leased for movie performances. Of the 33, several, admitting their inability to pay rentals and other expenses, have announced closing dates. *Variety*, most sprightly of stage weeklies, announces thus prospects for the future:

15 NEW LEGITS NEVER GOT STARTED; BOUNCED OFF 2 A WEEK. (Translation: 15 new legitimate shows never reached New York for their openings; the failures were at the rate of 2 a week.)

The state of the show business is evident to the naked eye on Broadway. Signs are more flamboyant than ever before. Lettering is higher, claims are more sensational, ballyhooers yell louder. Novelties are sought. Mr. Shipwreck Kelly, eminent sitter of flag-poles, adorned the mast of a vaudeville theater

last week in the hope of drawing patronage from the flea circus across the way.

Prices have been cut. Only 3 big musicals dare charge \$5.50 for their best seats—a quotation that used to be commonplace. Rentals for theaters have declined to a point where one producer is said to be paying only \$250 a week for a first-class house. (Some of them have been dark for a year.)

The causes are plain. Show business hasn't even the stability of the rackets. It is as much of a gamble as racing horses, and therefore attracts only money that will take a long chance. Success depends on pleasing the public taste and no formula has ever been discovered to accomplish that.

#### Not the Movies Alone

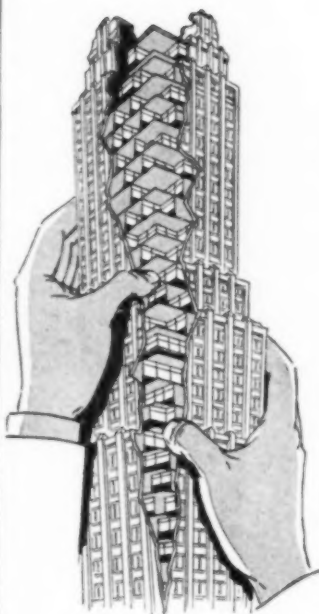
Most common explanation of the state of the stage is—the movies. But the real answer goes farther back. Hit shows always have been few and far between. When a producer finally got a success he squeezed every possible dollar out of it. Tickets were sold in blocks to scalpers who divvied with the producer on the extra price realized. Theater owners squeezed producers on rentals. Stage unions, also because long runs were few and work scarce, got it while the getting was good.

A producer with a hit show in one house, wanted to transfer his show to the theater next door. Could he carry scenes and baggage direct from one to the other? Not on your life. A transfer company had to be called in. A large gang of honest workmen loaded the drays, drove around the block and solemnly unloaded 10 feet from where they started. Cost, \$400. A musical show going into Boston with an orchestra of 16, was forced to hire 22 Boston musicians (at about \$75 per a week) whether they were needed or not. For all this the playgoer paid.

#### Small Town Complaints

Shows sent to smaller cities carried second-rate actors and rickety choruses. The road was dying before the talkies and radio killed it off completely. Paducah sees exactly the same movie that is shown in New York. Movie prices are below those of shows, and in hard times theater-going becomes a luxury and is an expense first to be lopped off. Poor pictures released in hundreds of houses can be made to produce a profit.

New York has twice as many legitimate theaters as it needs. So far it has been impossible for the different interests to work on their problems together. Slow and painful liquidation will have to reduce the surplus.



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International News

**TRACK WET**—Because the rain ruined the dirt-track motor racing, this Houston, Texas, track went wet. Flooded, it became a motorboat speedway a hundred feet wide and a half mile around

## Critics Say Tariff Board Is Riding For a Fall

**Both policy and procedure are under fire but commissioners have ready answers**

THERE is much comment that the new Tariff Commission, in the saddle for a year, is riding for a fall. Current criticism involves both the commission's policy and its procedure.

Reductions in rates on farm products seem to be taboo. Industrial products must bear the brunt of a more or less systematic intent to scale down duties boosted by Congress last year. This has revived doubt whether a continuous, scientific adjustment of the tariff to meet the constant shifting of economic conditions actually can be divorced from politics.

### Always Disturbing

Because tariff investigations are disturbing to farm, factory, and mine, critics of the commission assert that if they cannot depend upon it for unbiased fact-finding they would sooner cope with the tariff as it stands. They have much to say for stability.

Congress, however, is more likely to hand the commission this winter another bunch of requests for commodity investigations sought by constituents than it is to study whether the flexible method of tariff adjustment is too sensitive to political expediency.

It is charged that in its haste to hang up a record for efficiency, very refreshing in contrast to the old régime, the new commission has cut too many corners. Statistical evidence in support

of findings submitted to the President, it is declared, is flimsy. The star chamber procedure adopted to expedite its inquiries feeds this suspicion.

Critics apparently prefer the old, creaking machinery, under which the commission published, prior to its findings, a detailed statement of all the facts that it could print without revealing confidential information.

Observers for big business say that up to last June, the commission maintained a judicial and non-partisan attitude. Subsequent demoralization of the commission is traced to the President's action in returning for further investigation the commission's findings in favor of a reduction in duties on canned tomatoes and cherries. Later reports by the commission recommending no duty changes on cheese or bulk olive oil, but favoring an increase in duty on dried eggs are taken as corroboration of the charge that farm product duties are sacred.

The suspicious are now looking forward to reports on flaxseed and linseed oil, also casein, to verify this.

### Look for Verification

Critics usually conclude their review of the commission's shortcomings by alluding to the piffling importance of the majority of products on which reports have been submitted—bicycle bells, cigarette holders, wood flour.

Naturally, the commission is silent regarding the charge that its policy is dictated by the White House. All government agencies are always under that suspicion.

Exclusive of the reports on tomatoes and cherries, on which the President declined to accept the commission's findings as conclusive, only 5 of the 22 reports so far submitted to the President have dealt with farm products.

The commission might well take issue with the statement that the evidence in support of its cost findings is superficial. Its reports have been intentionally abbreviated, but there is much evidence in the commission's portfolio in each case to support its conclusions. Invoice prices have been used freely, but with caution, in the commission's effort to move the burden of 75 investigations, most of which were ordered by Congress. In all important cases, such as those covering cement, flaxseed, window-glass, petroleum, copper, the commission will depend absolutely on actual cost data obtained abroad.

### Who Asks Investigations

Of 65 investigations that have been instituted, 47 have been in response to Congressional resolutions, 27 on applications from private business, 2 at the request of the President. The apparent 76 is reduced to 65 by duplications.

It would be futile to predict the future performance of the commission until the vacancies created by the resignation of Henry P. Fletcher and the death of Alfred P. Dennis are filled. It is doubtful whether President Hoover will be able to enlist the services of a successor who is as capable an administrator as Mr. Fletcher. If he can be criticized for summary methods introduced in his zeal to speed up the commission's work, he has nevertheless established a record. Perhaps Mr. Hoover would do well to appoint a successor who is interested in the tariff as an institution.

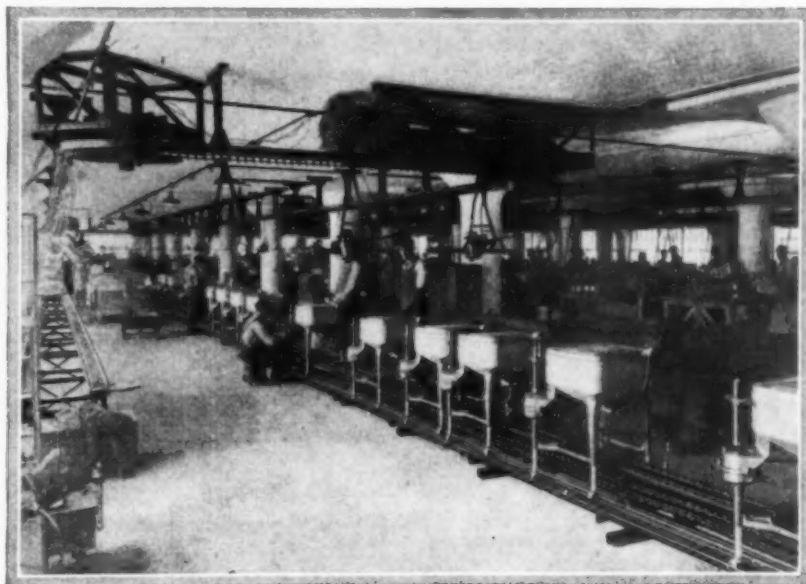
It will be easier for the President to find a Hoovercrat to fill the boots of Mr. Dennis than to find a Republican to succeed Mr. Fletcher. Should he decide to appoint just a good Republican, either Edgar B. Brossard, Senator Smoot's protégé from Utah, or John Lee Coulter, politico-agricultural economist from the Middle West, may have to prove that he is the stuff of which chairmen are made.

Brossard served as chairman of the old commission for a short time but in reappointing him to the commission, President Hoover gave him only a two-year term which expires June 16, 1932.

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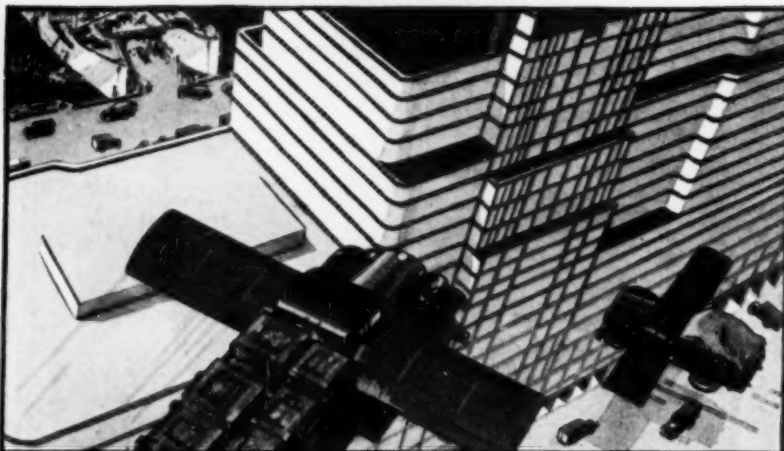
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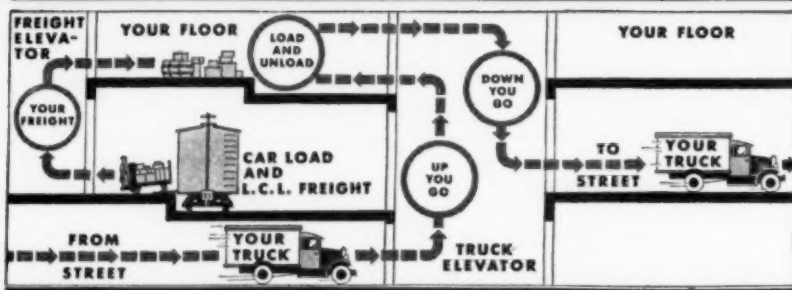
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## Wide Reading

THE CRISIS IN REAL ESTATE. Arthur C. Holden. *Harpers*, November. Real estate values are still highly inflated. Let the public once understand what economic test is, and it will insist on paying only for the economic use it gets out of real estate.

TRENDS IN LARGE-SCALE RETAILING. Malcolm P. McNair. *Harvard Business Review*, Autumn. Favorable and unfavorable trends in chain store development.

WHAT IS SKILL WORTH? H. H. Tullia. *Factory and Industrial Management*, November. Every industry will be interested in Armco's job classification. Study of living costs; average earnings per job. Charts.

STRAWS IN THE GERMAN WINDS. Ernestine Evans. *Virginia Quarterly Review*, Autumn. Shrewd, graphic, prophetic glimpses of the crisis in German living—the tendency toward revolution. Valuable to the executive following the German situation.

MANUFACTURING CRANBERRY SAUCE. Marcus L. Urann. *Food Industries*, November. Cape Cod goes in for the cranberry business in a big way, is popularizing the product.

THE WORST AMERICAN STATE. Charles Angoff and H. L. Mencken. *American Mercury*, November. Last of a series of "dissecting and rating" articles on the good and bad qualities of states; includes tables on retail sales, number of hotels and rooms, yield of state bonds, miles of improved roads; concludes Mississippi is the worst, Massachusetts probably the best, state.

ROCHESTER PREPARES IN ADVANCE FOR UNEMPLOYMENT RELIEF WORK. *Engineering News-Record*, Oct. 29. Public work system inaugurated last winter to be revived and improved; 80% of money used for direct labor. City received from 70% to 75% return for expenditure.

WILL U. S. AND GERMAN COMPETITION BE STRONGER AS RESULT OF BRITISH CRISIS? M. Garcia Pena. *Export Advertiser*, October. Probably it will. A study of export items from Germany and U. S.

STANDARDIZATION OF COST ACCOUNTING IN THE DRUG INDUSTRY. Nicholas H. Noyes. *Executives Service Bulletin*, October. Twelve of the "most able accountants in the industry" explain how they arrived at their final plan.

### BOOKS

WAGES AND WEALTH. Roy Dickinson. Princeton University Press, 158 pp., \$2.50. A liberal education for those misguided executives who believe in low wages and think wage cuts are an aid to prosperity. With his pertinent comments on the wage relation to prosperity, the author describes a number of plans in which his views concerning personnel policies are being successfully demonstrated.

HANDBOOK OF BUSINESS ADMINISTRATION. W. J. Donald. McGraw-Hill, 1753 pp., \$7. Encyclopaedia of current managerial practice. Sponsored by American Management Association.

MODERN CIVILIZATION ON TRIAL. C. D. Burns. Macmillan, 324 pp., \$2.50. An indictment against preparations for war, here and abroad.

## Copper Conference Gets Nowhere

No agreement for the further curtailment of copper production is yet in sight.

The informal meetings now being held in New York have so far brought out sharp differences of views among producers. Some copper interests have expressed their readiness to cut output 25%, but others take the stand that production should be slashed at least 50% if the huge stocks of copper are to be reduced.

There are also producers who advocate a complete shutdown of operations for a number of months as the quickest way of restoring balance between production and consumption. Such a radical step, however, is opposed in more than one quarter.

The Katanga representatives object to it for political reasons, while the newly-opened mines in Rhodesia and the Canadian mines which turn out copper as a by-product find they can not assume such a sacrifice.

Other plans, including the establishment of a copper sales pool, have been advanced, the object often being simply to increase the bargaining power of some group.

Divergent as the views are, it is not unlikely that a serious attempt will be made to find a solution for copper, although there is a fairly strong group which considers all artificial methods of boosting prices as futile. The low price of copper, increasing stocks, and the campaign here for a duty on the red metal are factors which may yet force an agreement among the producers.

## Germany Pays High Price To Mine Its Own Copper

EUROPEAN NEWS BUREAU—Germany has only one copper mine, worked by the \$10-million Mansfeld Co. Production costs—15¢ a pound—are reputed to be the highest in the world. The mine supplies scarcely 10% of Germany's requirements.

In spite of national financial difficulties, Germany has once more come to the rescue of the Mansfeld Co. with a large new subsidy.

As a result of declining world prices, the subsidy granted last January—\$3,200,000 for 2 years—has proved inadequate. By September the company's operating loss had reached the important sum of \$170,000.

Germany has 2 reasons for maintain-

ing the mines despite their uneconomic production costs and the burden of a fresh subsidy: (1) the necessity of making Germany independent of foreign supplies in case of war, even if for only a fraction of her requirements; (2) the necessity of maintaining 13,000 miners and their families for whom there are no other jobs.

The Oct. 7 emergency decree authorized the government to grant a subsidy of \$700,000. The state of Prussia agreed to spend an equal amount. Both offers were made conditional on a new 12% wage-cut for the Mansfeld miners, which would create a saving of about one-third of the present deficit. The miners at first conceded only 7%, finally an agreement was reached on a 10% reduction.

The new subsidy will enable Mansfeld to carry on for another year provided there is no further slump in world copper prices.

## Railroads Cut Fares To the North Woods

BARGAIN rates, 45% below the regular round trip fares, to the North Woods of Wisconsin and Upper Michigan will be in effect on the Chicago & North Western Railway this winter. The lower rates had been offered in the past only during the summer months. The company hopes that the reduction will create new winter travel among hunters and lovers of outdoor sports. Tickets will be issued for trips beginning Friday or Saturday and the return journey must be completed by midnight on Wednesday.

The Boston & Maine Railroad has also put into effect substantial reductions in round-trip fares between Boston and other points in the hope of increasing its passenger traffic. Beginning Nov. 1, round-trip fare between Boston, Lawrence, Lowell, and Andover will be \$1, compared with the old rates of \$1.88, \$1.86 and \$1.66, respectively. Between Boston and Haverhill, round-trip fare is reduced from \$2.38 to \$1.30; between Boston and North Andover, from \$1.98 to \$1.15. The company is reported to be considering similar reductions between Boston and other towns within the state.

A new low round-trip fare of \$1 per passenger is offered by the Lehigh for Sunday excursions to New York from Easton, Bethlehem, and Allentown, Pa. and drastic reductions have been made in excursion rates from other Pennsylvania points.

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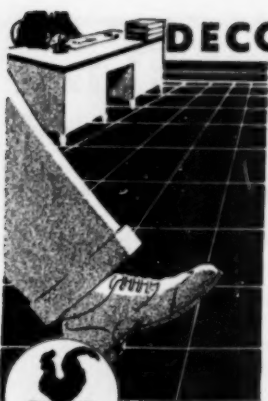
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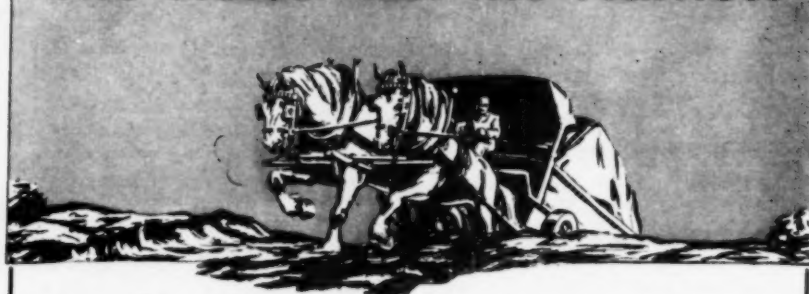
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### THE BUSINESS WEEK

## Municipal Ownership Wins in California

ANOTHER decision in the perennial battle over municipal electric power plants has been handed down in California, this time in favor of municipal ownership. The state Court of Appeals has upheld the right of the city of Santa Cruz to finance the construction of its water system and power plant entirely from the revenues of the plant and to pay for it over a period of years without the necessity of obtaining approval of two-thirds of the voters.

During recent years Fairbanks, Morse & Co. has been pushing the sale of power equipment to municipalities on a purchase plan whereby revenues from the completed system could be used to pay for the equipment over a considerable period of years. This activity has met great opposition, sponsored, chiefly by utility interests, and court decisions for and against such plans have been handed down by courts of a number of states.

Two arguments are usually used against the instalment-purchase plan for electric generating equipment. In California and a few other states the opposition charges that the agreement in effect increases the indebtedness of the city and so must be approved by a two-thirds vote of the people. In other states charges that purchase of the new equipment raises the indebtedness above the legal limit are employed.

If California's Supreme Court uphold the Appellate Division, municipalities there can buy electric light plants, as private interests now do, on borrowed money to be repaid from revenues. Public ownership partisans are jubilant over the decision, utilities want a reversal.

## Credit \$8-Million Saving to Spiking Price Rumors

ESTIMATED savings of \$8 millions for the last 8 months are attributed to the spiking-price-cut-rumors activity of the Associated Knit Underwear Manufacturers of America, according to an analysis made by *Textile World*.

Nearly 2 years ago the underwear association instituted an educational campaign to make its members realize the need of analyzing their costs in relation to selling prices. As a result, this branch of the industry entered the depression in fairly good condition so far as stocks were concerned and with its leaders converted to a curtailment policy. Underwear prices, particularly

those on ribbed underwear, have remained firm while most other textile groups have been engaged in price battles starting largely from baseless rumors that competitors had made cuts.

The underwear campaign, conducted by Roy A. Cheney, secretary of the association, has sought to make manufacturer members realize the fallacies involved in the beliefs that: (1) each can, because of his location, make goods cheaper than his competitors; (2) that if business falls off it is due solely to price cuts by his competitors; (3) that price cuts will immediately bring added business; (4) that so-called secret deals are ever secret or can be kept so; (5) that a statement by a buyer that a competing mill has cut is always the gospel truth; (6) that competing mills are not interested in making money and so have no community of interest with other mills.

An even more practical attack at price cut rumors has been the establishment by the association of a sort of clearing house for price changes. A mill hearing that a competitor has cut asks the association to check; frequently the charge is found to be false. In this work the association is not concerned with the actual cut; if a mill wishes to cut, that is its business. What is desired, however, is to eliminate the idle rumors which have tended to demoralize the industry in the past.

The entire movement is a further development to make effective the association's slogan—"Business can never exist without a fair profit. When profits disappear business likewise disappears."

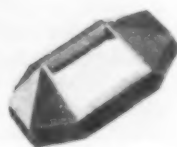
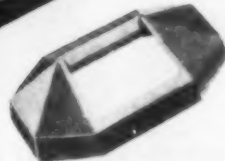
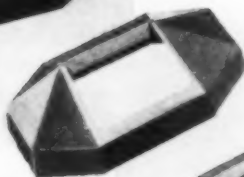
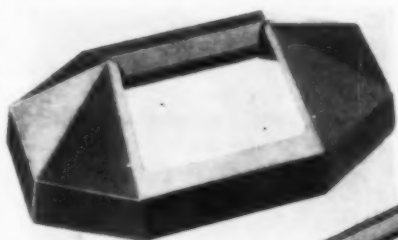
## Unemployment Insurance Wins Textile Majority

UNEMPLOYMENT insurance in some form is favored by 87% of textile executives taking part in an open forum on the subject conducted by *Textile World*. Of those in favor half prefer insurance sponsored by individual concerns and are opposed to any governmental intervention; nearly 40% believe that if industry does not or cannot soon meet the emergency it will be up to government to do something about it. Chief argument of this latter group is that in mechanized industry the individual is often unable to take care of himself in a crisis.

The opposing 13% were ranged against unemployment insurance mainly because of the possibility of government intervention which, they believe, would restrict individual independence.

# you Can't Cut Costs?

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**THE  
BUSINESS  
WEEK**

# Illinois Legislature Considers Chicago Committee Report

Gov. LOUIS L. EMMERSON of Illinois called the state legislature into special session on Nov. 5 to enact laws necessary to pull Chicago out of the financial chaos which resulted from the breakdown of its archaic system of appraisal and taxation.

The governor proposes a comprehensive non-political plan of action, conceived by a committee of 11 leading citizens with the burning of much midnight oil. This committee has in the past 4 months held 33 sessions, mostly at night, averaging 5 hours each. Samuel Insull, utility magnate, attended every session when he was in town and was a most valuable worker, Chairman Joseph K. Brittain states. Philip R. Clarke, president of the Central Republic Bank; Fred W. Sargent, president of C. & N. W.; S. E. Thomason, newspaper publisher, and their several associates, missed many dinners at home with their families.

## What Must Be Done

The result is a 45-page report, a short story of what business men believe must be done in order to modernize government. Whether Illinois enacts it, or something like it, into law remains to be seen.

Its recommendations are not politically expedient: "No program of political expediency can pull us out of the morass into which political expediency has plunged our public bodies."

The hard-working committee of citizens insists that the program must be considered as a unit, and not applied piecemeal. It aims to:

## Aiding Real Estate

(1) Lift some of the tax burden from real estate, by raising about \$50 millions annually by state income tax, tobacco tax, and increased taxes on heavy buses and trucks; by reducing cost of government; and by going after personal property more vigorously, perhaps by requiring that proof of listing for taxation be shown before a motorist can get a license for his car.

(2) Greatly simplify machinery of assessing and review, by making one appointed official, subject to removal for cause, responsible for all assessing work. Two others would serve with him on a board of review.

(3) Legalize collection of 1930 taxes in instalments, about half down and the balance spread over not more than 7 years, bearing 6% interest.

Encouragement of home ownership is in the plan. Taxes up to \$100 paid on a home are deductible from income tax.

Plenty of opposition is in sight. The idea of an income tax which reaches single men with as low as \$1001 income does not appeal to organized labor. The idea of a tobacco tax of 20% on retail sales price is not appealing to many legislators.

Furthermore, the real estate interests

in Chicago are disappointed because the report does not propose the funding of the entire quarter billion of 1930 taxes, yet to be collected, and intend to keep fighting to have that done.

To guarantee that added revenues will really relieve real estate and not—as has so often happened—go somewhere else, it is provided that most of the money from the new sources of revenue shall be paid into the school fund. (Schools are one of the two main drains on public treasuries; streets and highways are the other.)

## Paying for Schools

Farm organizations are strong for paying for education out of income tax. It is inequitable for rural communities, they contend, to pay for educating generation after generation of boys only to have them go to the cities, make money and pay taxes there. With a state income tax urban communities would pay a larger share of the rural education costs.

## To Make Synthetic Rubber On a Commercial Scale

DUPRENE, a synthetic rubber, is the latest product of the research laboratories of E. I. duPont de Nemours Co. It is made from acetylene, coal, limestone, salt and water. A plant is being built at Deepwater, N. J., to manufacture it on a commercial scale.

With crude rubber selling at a few cents a pound and well below cost of production, the commercial possibilities of a synthetic appear rather slim at present. However, the new product is



**COPPER CONFEREES**—As they arrived in New York for informal discussions. On the right, is Emile Francqui, former Minister of Finance of Belgium, now head of Union Minière, great Belgian copper company which operates the big Katanga mines in the Congo. Left and center are Camille Gutt and Fernand Pisart, of the same company, who were here before in an effort to reach an agreement with American and Canadian producers

said to possess qualities specially valuable in the impregnation of fabrics, which are expected to give it a chance against cheap crude rubber in that field.

Synthetic rubber itself is not new, was made in considerable quantities in Germany when the war blockade made rubber cheap at almost any price.

## Berlin Thinks G. E. Was Also On Dr. Siemen's Calling List

EUROPEAN NEWS BUREAU—Germans are convinced that it was not alone the invitation of Dr. Nicholas Murray Butler that brought Dr. Carl von Siemens to the United States. Even when he sailed from New York with no announcement of major industrial importance, Berlin continued to speculate.

### G. E.'s Participation

Dr. Siemens is the head of Germany's famous Siemens-Halske electrical concern. Other member of Germany's "Big Two" is Allgemeine Elektrizitäts-Gesellschaft, popularly known as A.E.G. The American General Electric Co. owns \$12 millions of the \$48 millions of A. E. G. stock, is one of the largest stockholders in the German company. In February of last year, it bought into the Siemens company, taking over \$10 millions of the new issue of 1,000-year bonds at 230%, an investment of \$23 millions. Germans point out that G.E.'s open participation in the 2 companies (apart from other holdings believed to exist) is at least \$35 millions.

Aside from this common financial backing by the American company, Germany's "Big Two" have other joint interests. They own jointly the Osram G.m.b.H., the \$10-million Berlin company manufacturing electric bulbs.

### Other Interests

In Osram, G.E. also has a direct participation of 17%. They control jointly Telefunken A.G., into which they have pooled their patents for, and production of, radio equipment. Telefunken possesses a virtual monopoly in the radio field, strengthened by agreements with the R.C.A. which virtually preclude importation of American radio equipment into Germany. Finally, they have a joint controlling interest in the Bergman Elektrizitäts-Gesellschaft, the third biggest German electrical concern.

Competition between A.E.G. and Siemens is strongest in the field of heavy electrical equipment—particularly generators and motors. Neither company is working at much more than 50% of capacity. Cooperation would enable substantial savings. In the light equip-

ment (telegraph, telephones) field, the Siemens position is relatively stronger.

Germans deduce 2 possibilities, fully expect important announcements covering at least one: (1) Removal of friction from the triangular competition of A.E.G., Siemens, and G.E. in the heavy equipment field in important third markets; perhaps allocation of the world's temporarily-dwindled power projects on a pre-arranged quota basis (2) Arrival at some agreement on light equipment marketing.

Siemens controls 60% to 70% of Germany's telephone business. Main competitor is the I.T.&T.-controlled Standard Elektrizitäts-Gesellschaft (with a minority A.E.G. participation) which during the last 2 years has bought up practically all the smaller independent companies. When the Siemens negotiations with the Kreuger-controlled Swedish Ericsson Telephone Co. fell through and I.T.&T. gained control of the Swedish firm, Siemens began angling for some sort of working agreement with I.T.&T.

Germans are inclined to consider Siemens-I.T.&T. cooperation of more immediate importance than a working agreement with the A.E.G. in the domestic heavy equipment field.

## World Statistics Show Why Wheat Has Risen

EUROPEAN NEWS BUREAU (Cable)—The wheat boom—the advance in Chicago and Winnipeg has been reflected not only in London but on Continental markets as well—promises to become a factor of fundamental importance in Europe's economic progress. Despite the fact that initial Russo-Danubian shipments in the first 2 months of this season have been exceptionally heavy (30 million bushels above last year up to Oct. 28), wheat has been showing definite improvement (page 5).

The Rome Institute of Agriculture this week provided the missing statistical explanation of this market strength with its world summary, not including

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any data on Russia. The world's ex-  
portable surplus, according to the  
institute's report, is 110 million bushels  
lower than summer estimates. At the  
same time, poor crops in the usual im-  
port countries have increased the esti-  
mate of import requirements by 70  
million bushels. This makes a net  
deficit of 180 million bushels to be  
deducted from the year's record carry-  
over of 540 million bushels. That  
would leave a carryover next year of  
360 millions, which, while above nor-  
mal, would not excessively depress  
world markets.

### Russia's Crop Position

Russia's crops, not included in the  
estimate from the Rome Institute, are  
said to be below both the output last  
year and the 5-year average. According  
to the latest issue of the *Corn Trade  
News*, Russia's exportable surplus this  
year is only 112 million bushels in  
contrast to a surplus last year of 226  
million bushels. Of this year's crop,  
52 million bushels have already been  
shipped, leaving a theoretical 60 million  
bushels still to be marketed.

Within the last fortnight, however,  
there has been almost a complete stop-  
page of Russian chartering of foreign-  
bottoms, and a scarcity of offerings of  
Soviet wheat on European markets.  
While certainly a factor in the im-  
mediate price rise, there is not yet  
evidence of Russian inability to make  
further deliveries or confirmation of  
reports in the United States that Russia  
is oversold and forced to cover on a  
rising market.

### Holding Out?

On the contrary, European wheat  
traders suspect Russia of deliberately  
withholding further shipments in order  
to benefit from later higher prices.  
That higher prices will rule, appears  
probable since, to the stronger wheat  
position, is to be added now coincident  
reports of short crops in other cereals.

The effect of high prices will vary  
in north European countries according  
to their dependence on imports and  
according to their protectionist systems.  
Paramount benefit goes to North  
America, South America, and Australia.

## I.B.A. May Organize for Foreign Bondholders

MORE than 1 million holders of Latin  
American bonds in this country are  
following closely rumors of the forma-  
tion of a Latin American bondholders  
protective association. Americans hold  
\$1,531,906,000 of South American

dollar bonds which at recent prices  
would bring only approximately \$72,-  
743,000. This is a depreciation of  
more than 80%. That is one reason  
for the sudden interest in the effort to  
organize North American holders of  
these bonds.

A second reason has come to the  
front in the last 3 weeks. Scheduled  
for careful consideration at the meeting  
of the Investment Bankers Association  
of America (I.B.A.) meeting in Chi-  
cago for the 5 days beginning Nov. 7,  
is a long-contemplated plan for en-  
larging the duties of the Institute for  
International Finance to something  
more in line with those of an asso-  
ciation of foreign bondholders.

### Organization Wanted

Plans have been delayed. The For-  
eign Securities Committee of the I.B.A.  
has studied various proposals, various  
European groups of foreign bondhold-  
ers; has decided that there is no organ-  
ization in existence whose functions  
correspond to what is needed or is  
applicable to the situation in this coun-  
try. This is what decided the committee  
to recommend utilization of the present  
Institute for International Finance or-  
ganization to meet the present emer-  
gency.

When the program for the I.B.A.  
convention was announced, Thomas F.  
Lee, founder of North American Fixed  
Trust Shares, launched The Latin Amer-  
ican Bondholders Association, Inc., to  
represent the buyers of bonds, past and  
prospective, in any negotiations for  
refundings and in any plans for future  
financing.

Three groups are primarily con-  
cerned with the move to organize bond-  
holders: investment bankers, indus-  
trialists interested in Latin America, and  
the bondholders themselves.

### Something Done

Until the I.B.A. outlines its plans  
completely, and before the interested  
public has an opportunity to react, it  
is difficult to speculate on the success of  
the plan. Outwardly, and in advance  
of a detailed public announcement, it  
seems to include at least 2 of the  
essential groups—the bankers and the  
industrialists.

Most significant is the assurance that  
something is going to be done in this  
country not only to protect present  
bondholders but to study the credit  
needs of legitimate projects in Latin  
America. Whichever group in the next  
few weeks succeeds in winning the  
3-sided cooperation necessary for large  
scale success has a large but worthwhile  
task ahead.

# Business Abroad—Swift Survey

## Of the Week's Developments

Four situations dominate the world's business outlook: (1) Franco-German moves toward a thorough discussion of reparations and German short term debts; (2) Britain's trade boom, and developments toward a tariff; (3) new entanglements in Manchuria; (4) rising wheat prices.... French business is disintegrating.... Britain is buoyant.... Germany is discouraged.... Italy is tightening her belt.... South America is more cheerful.... Important developments in the coming week are likely to focus in Paris and Berlin.

### Europe Hopefully Awaits Franco-German Moves

EUROPEAN NEWS BUREAU (Cable)—Commodity markets are stationary except for the important strength which wheat is showing (page 5). This is partly due to the actually improved statistical position and partly to the still unsubstantiated belief that Russia has been caught oversold.

The relapse of sterling is due to the coincidence of the partial repayment of the Franco-American credit, and to the more-than-normal seasonal imports occasioned (1) by the anticipation of high protective tariffs, and (2) the execution of rapidly accumulating purchases suspended until election returns convinced buyers that Britain was destined for tariffs. The expansion of British industrial activity is still progressing, but prices so far barely reflect currency depreciation and now are more likely to rise sharply in response to the value of imports bought from gold basis countries.

#### Ruling Uncertainties

Throughout Europe, security markets are irregular. Business prospects still are dominated by the uncertainty both as to what policies the new British government will adopt and as to what basis will be found for the imminent Franco-German negotiations.

Victory of the National government in England was discounted in advance. Fulfillment of expectations brought profit taking reactions to which are added some real selling.

To uncertainties as to what policy the new British government will pursue is added the uncertainty as to what

action Laval will initiate and the French Parliament approve in seeking a solution to the international debt question which is increasingly urgent as expiration of the short term standstill agreement in February approaches.

#### Young Plan an Obstacle

The doubts can be summarized: (1) No final solution of the short term debt problem is possible prior to a basic solution of reparations, but

(2) The Hoover-Laval agreement foresees no modification of reparations except within the limitations of the Young Plan, while

(3) Modification within the Young Plan—which admits only suspension of transfers and not of payments, and suspension of transfers only on unconditional, not total, reparations—manifestly is not only inadequate to afford Germany the needed relief, but is temporary.

#### Await Laval Move

It is expected Laval will open diplomatic conversations with Germany immediately. If Germany agrees to make the Young Plan at least a point of departure for negotiations, these steps may broaden into actual reparations revision and lead to a general debt settlement.

French sentiment momentarily is unusually propitious. But it may not be expected that any cure-all will come at once. At best, Franco-German negotiations can mark only the beginning of a long period of piecemeal reconciliation of long-standing differences between the 2 countries.

The Francqui Plan, proposing a world credit bank to enable the funding and rediscount of German short term debts, is being widely discussed though financial leaders are dubious that it will materialize. Paris is hostile. There it is viewed as a scheme to unload upon France some of the load of bad debts which other countries have incurred in Germany.

#### Germany's Private Debts

The Layton report placed Germany's private foreign debts at \$4,040 millions but the final revised Reichsbank figures, based on a subsequent decree making the declaration of foreign assets and liabilities obligatory, and announced this week, show a total of \$5,590 millions (with short term debts total \$2,850 millions compared with Layton's total of

\$1,900 millions); and long term debts total \$2,740 millions compared with the \$2,140 millions. About \$1 billion already has been repaid since July leaving \$4½ billions still outstanding, not including the further \$1½ billions which is Layton's estimate of the current total foreign investments placed in Germany.

### Debt Uncertainties Hang Over German Business

German business awaits plans for reparations and short term debt conferences.... Indicators are down, leaders pessimistic.... Exporters alarmed over spread of protectionism.

BERLIN (Cable)—Business developments are overshadowed by the all-important issues of revision of reparations, and consolidation of short terms debts.

A German committee of experts has drafted a plan for repayment of \$1,700 millions of foreign short term indebtedness in 10 annuities, while the balance of \$1,200 millions, it is believed, will remain as a revolving credit. Dr. Brüning is not inclined to declare a moratorium after the termination of the Hoover year, or to call for investigation by a committee under the Young Plan. He would prefer a full power international conference qualified to settle both reparations and short term debts.

#### Bleak Business Reports

Current business reports are discouraging, with pessimistic returns in the majority. There are several causes. (1) The rising wave of insolvencies, which in October were 30% above August; (2) retail sales for the first 8 months are 11% below last year, while September department store sales are an even 16% off from last year; (3) persistent September withdrawals of saving deposits which have brought the total outflow, since the outbreak of the crisis, to \$250 millions; (4) unsatisfactory tax receipts with a deficit for the first half of the budget year exceeding even the most pessimistic estimates.

Company earnings all the way round are disappointing with the prospect that most firms will pass dividends. A.E.G. denies that plans for a capital cut are under consideration, but sales are 28% off, and heavy writing off for various subsidiaries are imminent. It is believed the incipient weakness of A.E.G. might further the plans for an electric trust.

The country's exporting industries are alarmed at the world's rising protectionist wave. This threatening of Germany's



**BRITAIN'S BOSS**—Stanley Baldwin, doughty Conservative, is the most powerful man in the Cabinet. Here, he returns to London after a tour

only trump, the chance for a big export surplus, is viewed with apprehension.

Prospects for the reopening of the Boerse are improving. "Telephone trading" has been operative for some time now and has convinced the government that it is as impossible to bring about water tight isolation of German stocks as complete suppression of the stock market. Even the gentlemen's agreement among bankers not to execute orders for security sales on foreign account is only partially successful because of the continuous spotleg sales by small traders.

## Paris Takes First Steps to Aid Reich

Business is falling off. . . . Unemployment is up. . . . Laval tackles German problem. Reparations must precede private claims.

PARIS (Cable)—The local depression is increasing in intensity. Registered unemployment climbed 21% in the last 2 weeks. Anxiety over the effects of a further decline in sterling is expressed in many groups. Not only is it increasing France's exchange losses, but it is aggravating British competition. When sterling was at \$4, the Bank of France's

losses alone were estimated at \$64 millions.

Satisfaction over the results of Laval's visit is widespread. Though it is fully realized that he in no way secured American support for French policies, satisfaction arises primarily from the belief that France is henceforth relieved from outside coercion and is given a free hand to proceed with direct negotiations with Germany, and, moreover, along lines which have received Hoover's approval. Within 24 hours of his arrival in Paris, Premier Laval conferred with the German ambassador to France. The result of this conference and the keynotes of probable French policy respecting immediate issues can be identified:

(1) The Young Plan, though it may be modified in the end, must in itself constitute a point of departure for immediate relief measures to be conceded to Germany.

### Conference Prospects

Laval has declined the German suggestion that he dispense with the calling of the Young Plan advisory committee on the ground that the findings of the Wiggan committee make any new investigation superfluous. Though refusing to go ahead at once with plans for a general international conference, Laval has indicated that he by no means excludes the possibility of an interna-

tional conference. He merely declares that its advisability can be determined only in the light of recommendations of the advisory committee. Recommendations are expected before the end of the year.

(2) Reparations claims must precede private claims. Here too Laval has rejected the German proposal that the short term debt problem be considered first and reparations later since the standstill agreement covering short term debts expires in February, while the moratorium does not expire until July.

### A Prior Claim

The French hold the view that reparations constitute a prior claim which may be modified but which may not be prejudiced by consideration of private debts subsequently contracted.

But, though maintaining the Young Plan as the technical cornerstone of the French position, Laval is expected to sponsor material concessions to Germany provided the Germans undertake to recognize the present political status quo and cease their agitation for reconsideration of the Versailles treaty.

A Franco-Spanish trade treaty has been signed and will become operative Nov. 10. In recent years, French exports to Spain have suffered from increasing Spanish protectionism. As recently as 1926, France's balance of trade with Spain was favorable. Last year it showed a deficit of \$24 millions. The new treaty is expected to help France adjust this unfavorable balance.

## British Business In Midst of Boom

Business is booming, optimistic. Orders are rolling in, factories reopening, unemployment declining. . . . Foreign firms, fearing tariffs, are buying British sites.

LONDON (Cable)—The results of the election are viewed with general satisfaction but the overwhelming Conservative majority is regarded as too big, and too unrepresentative of the actual votes cast.

Business, however, has been booming in the interval since returns were announced. Cotton mills are operating full time and other mills are reopening. The rolling mills in Lancashire, Yorkshire, and Scotland are under full pressure. The coal trade has revived.

Indicative of the business which is coming daily to the British are these specimen orders: One Sheffield firm has booked an order for 2 million wafer

blades for South America; Clydeside shipbuilders have 5 contracts for 26,000 tons of bottoms; a steel firm has orders for 4,000 tons of sheets on foreign account. Inquiries continue strong, with growing site-buying by foreign manufacturers who face almost certain tariffs. Textile workers, with the usual show of stupidity, are now grumbling over the break in the 48-hour week and refuse to work both overtime and double shifts.

The rise in the price of wheat is regarded as hopeful. British-grown wheat is standing at 40% over mid-September estimates with an active market.

The fall in sterling is due to the continuance of the commercial dollar demand. Following the election the Bank of England has made arrangements for repayment of £5 millions of credits not covered by gold sale, plus some repatriation of foreign balances, but it is causing no perturbation. The Bank of England Saturday made a record gold sale of £15 millions, leaving the reserve over £40 millions which is ample cover for Christmas currency demands.

#### Investment Interest

Conviction of Sir Arthur Wheeler in the "bucket shop" frauds and the coincident opening of the Kysant appeal, are reawakening public interest in the stock markets. It is hoped that this marks the end of investment timidity caused by the Hatry affair, and thus will loosen public money for expected capital issues needed to finance the increased turnover in the present export boom.

The stock exchange is expecting to resume normal dealings and hoping the national government will ease the stamp duty.

### Help Italy Help Herself & Mussolini Policy

Italy expects little aid from Hoover-Laval meeting.... Few industries increase activity.... Country's largest bank segregates banking and commercial activities.

MILAN (Cable)—The best Italian business opinion is skeptical that valuable results will follow the Hoover-Laval meeting. Leaders now are inclined to believe that each country will henceforth be forced to rely on its own efforts to meet the depression. For this reason, the business public is inclined to approve the Bank of Italy's policy of liquidating foreign exchange reserves and converting them into gold, regardless of the costs.

Public sentiment, moreover, is inclined to feel that even further debt moratoria would afford no fundamental relief, that the crux of the European impasse lies in the modification of the Versailles treaty, and in disarmament.

There are scattered signs of incipient trade revival. The trend in the heretofore depressed cotton industry, and the situation in the woolen and felt hat industries have improved. Rayon continues strong, but generally restricted activity is reflected in a 26% drop in rail traffic for the first 8 months of the year. Port traffic during the same period was off 9%; steel production 19%; cast iron 8%; cement 12%; construction 40%; the production of fertilizers 42%.

#### Banking Changes

Italy's banks, like those in Austria, control large domestic industries. There was a move this week to divide these interests. Banca Commerciale Italiana, largest bank in Italy, is segregating its banking and commercial activities. Its industrial investments are being sold for cash to the Societa Finanziaria Italiana, which is increasing its capital to 300 million lire from 100 million lire.

B.C.I. shares are to be sold to Consorzio Mobiliare Finanziaria which is increasing its capital to 630 million lire from 310 million.

There is close cooperation from the Bank of Italy and the government in completing the change in policy. B.C.I. has more than 100 branches in Italy besides a number of foreign branches, including those in New York, Boston, and Philadelphia.

#### Budget Deficit

The national budget for the first quarter of the current fiscal year (beginning July 1) shows a deficit of \$45 millions. Cause: 9% drop in expected revenues. Effective Oct. 1, sharply increased duties will, it is hoped, bring in between \$13 and \$18 millions. But it is foreseen that recourse to further borrowing will be necessary. At the present 7% discount rate, such financing will be expensive. Also, it will tend to draw money from bank deposits and add to the already existing strain on the country's banking structure. Much depends on the outcome of the disarmament conference. An agreement between France and Italy, reducing armaments, would greatly relieve fiscal pressure.

This prospect is among causes giving impetus to the campaign favoring native instead of foreign products. Notwithstanding the year's striking improvement in the Italian trade balance,

Italy still purchases abroad many products which she is equipped to produce at home. These include cheese, imports of which totaled \$947,000; radio sets \$1,553,000; motorcycles \$232,000; carpets \$168,000; safety razors and blades \$95,000; fountain pens \$32,000; automobiles \$105,000; porcelains \$474,000. Imports of beer are running twice as large as in 1930. One very large item, \$7,368,000, represents imports of phosphate and nitrogen fertilizers, although the Italian industry can supply the entire nitrogenous requirements of the country.

The campaign in favor of domestic products emphasizes work thereby given the large number of unemployed, now about 600,000. It is reckoned that each million lire (\$52,630) spent abroad represents one year's work for 200 Italian workmen; that \$158 millions spent annually on foreign goods produced also in Italy would absorb the total of present unemployed.

### Bond and Wheat Prices Cheer Latin America

Business more hopeful.... Bonds rise.... Better wheat prices cheer Argentine.... Soviets establish trading office in Uruguay.

LATIN American business called up a show of optimism last week. Chilean and Argentine bonds climbed from recent lows and exchange in Argentina and Uruguay improved. Brazil succeeded in quelling promptly the sporadic rebellion in the north.

The recovery of wheat prices (page 5) coinciding with heavy Argentine exports pointed to improved prospects for fresh imports through Buenos Aires. Hopeful signs, too, are the prospect of orderly elections Nov. 8, and the healthier monetary conditions due to the Provisional Government's policy of economy, control of exchange, debt payments, and limitation of imports.

The weather during the next 2 weeks will influence this season's wheat crop. Acreage is 20% under last year but the condition of the crop is better.

In Brazil, the outlook has improved. Coffee shipments in October were the highest for the last 6 months, and created foreign exchange to cover fresh imports. The monopoly on foreign exchange which has been exercised by the Bank of Brazil has been relaxed.

Activity in Chilean bonds in New York this week is said to be due to purchases made by Chileans. Within Chile, domestic bonds are acceptable



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at par for paying off internal mortgages. Those companies able to secure dollar exchange have been buying at the low figure at which Chilean bonds sold recently to meet mortgage obligations.

The Soviets have officially transferred their South American trading headquarters from Buenos Aires to Montevideo, have organized Yuzhamtorg as a \$207,000 limited liability corporation. Uruguay is planning to import nearly \$3 millions of Soviet gasoline and kerosene on the condition, already accepted, that Yuzhamtorg purchase Uruguayan products of equal value.

## Chinese Business Shows Signs of Recovery

Bitterness grows in Manchuria. . . . Floods subsiding rapidly in Central China. . . . Trade recovers. . . . Shanghai increases activity.

ACTIVITIES in Manchuria still dominate Far Eastern business, and they are increasingly serious. At the peak of the harvest season, Japan is struggling to move crops over the South Manchuria Railway. Minor Chinese generals still quarreling among themselves are being swept aside.

As harmful to the Japanese as it is discouraging to other foreign business interests is the lack of reliable news from the Mukden area. Trade virtually is at a standstill. Influential Chinese have fled to Tientsin and Peiping. Tokyo and Moscow may possibly clash over "spheres of influence." More than this, little is known.

### Chinese Business

In the Shanghai area, business shows some improvement. Flood conditions up the Yangtze are rapidly improving. Trade shows signs of reviving. Business is moving in satisfactory volume in South China.

China crop reports reflect unfavorable conditions caused by the flood. The cotton crop is estimated to be fully 20% below last year, and the rice crop is off nearly an equal amount.

Shantung reports excellent wheat, tobacco, and peanut crops.

As a result of unsettled administrative problems, money was tight during October among Chinese banks. Chinese depositors withdrew large amounts from Chinese banks, and deposits in foreign banks are increasing. There is a good demand for money to finance imports of American and Indian cotton.

The boycott and low silver exchange continue to favor local industries.

# The Figures of the Week And What They Mean

The first cheerful news in many months appeared in the markets this week with the continued strength in the grain markets, particularly wheat and corn. . . . Stock and bond markets were also stimulated. . . . Steel ingot production received some impetus from automobile and structural steel demand. . . . Residential building is gaining ground. . . . Carloadings improved in volume over the preceding week. . . . Hoarding appears to be ending. . . . Check payments and commercial loans remain small. . . . The *Business Week* index for the week of Oct. 31 shows little change from the preceding week, standing at 68.4% of normal against the revised base of 68.4%.

The rise in the operating rate of the steel industry during the closing week of October to something better than 40% of capacity has revived hope that the usual year-end slump may be sup-

planted by an upward trend. Seasonal adjustments have lifted our steel index to 43% of normal compared with 40% the preceding week. The advance is reported due to improvements in the Pittsburgh and Youngstown districts, where orders for structural and automotive requirements were received.

## Change in Sentiment

Trade papers continue to stress the change in business sentiment stimulated in the last few days, perhaps, by the marked gains in the grain markets. Attention is also called to the different situation in which steel consumers find themselves at present compared with other years. Ordinarily the last quarter is characterized by curtailment from the levels established earlier in the year. This year curtailment has been the motto of consumers since the spring so that further contraction is thought improbable.

Chief among the industries to which the steel producers look for a reversal

of usual trends is the automobile industry. The impending presentation of new models by many of the leading manufacturers will force better buying from this source in the very near future. Suppliers of tools and parts to the motor industry have already felt the increased activity. Dealers' stocks are exceptionally low, so that little surplus stock will be on hand when the new models appear. The pressure on hot-rolled steel strip prices also reflects reviving demand from this source. The advance posted 60 days ago has failed to hold.

Better grain prices may encourage farm implement manufacturers to increase production, according to *Iron Age*. This group of steel consumers has been practically idle in the past few months and only now is experiencing some resumption of activity.

## Rail and Truck Buying

Rail and truck purchases, though lagging far behind seasonal expectations, are improving. The equipment industry now looks to wage adjustments as an important factor in the restoration of rail buying power, but the possibilities and extent of this are uncertain. October freight car buying as reported by *Steel* showed a slight gain over Sep-

## THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY.....

### Production

Steel Ingot Operation (% of capacity).....	30	28	47	71
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis).....	\$8,908	\$8,967	\$13,770	\$19,249
Bituminous Coal (daily average, 1,000 tons).....	*1,367	1,358	1,742	1,895
Electric Power (millions K.W.H.).....	1,652	1,647	1,741	1,626

### Trade

Total Carloadings (daily average, 1,000 cars).....	128	127	160	186
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	83	82	101	117
Check Payments (outside N. Y. City, millions).....	\$3,449	\$4,170	\$4,717	\$5,920
Money in Circulation (daily average, millions).....	\$5,513	\$5,523	\$4,467	\$4,814

### Prices (Average for the Week)

Wheat (No. 2, hard winter, Kansas City, bu.).....	\$ .52	\$ .48	\$ .74	\$ 1.13
Cotton (middling, New York, lb.).....	\$ .067	\$ .068	\$ .112	\$ .164
Iron and Steel (STEEL composite, ton).....	\$30.64	\$30.68	\$31.98	\$35.52
Copper (electrolytic, f.o.b. refinery, lb.).....	\$ .068	\$ .068	\$ .093	\$ .139
All Commodities (Fisher's Index, 1926 = 100).....	68.5	68.5	82.4	93.8

### Finance

Total Federal Reserve Credit Outstanding (daily average, millions).....	\$2,212	\$2,255	\$992	\$1,377
Total Loans and Investments, Federal Reserve reporting member banks (millions).....	\$21,221	\$21,289	\$23,495	\$22,083
Commercial Loans, Federal Reserve reporting member banks (millions).....	\$7,624	\$7,635	\$8,699	\$9,037
Security Loans, Federal Reserve reporting member banks (millions).....	\$5,897	\$5,906	\$8,065	\$7,236
Brokers' Loans, N. Y. Federal Reserve reporting member banks (millions).....	\$840	\$869	\$2,454	\$3,665
Stock Prices (average 100 stocks, Herald-Tribune).....	\$101.73	\$102.54	\$142.96	\$147.47
Bond Prices (Dow, Jones, average 40 bonds).....	\$84.21	\$84.58	\$95.99	\$95.96
Interest Rates—Call Loans (daily average, renewal).....	2.5%	2.5%	2%	4.7%
Interest Rates—Prime Commercial Paper (4-6 months).....	3½-4½%	3½-4½%	3%	4.6%
Business Failures (Dun, number).....	530	551	502	445

\*Preliminary

†Revised

tember, totaling 780 cars compared with 503 the preceding month. Ordinarily October awards show substantial increases over September. The fact that the awards of the past month were the lowest of the past 15 years reflects the seriousness of the curtailment program of the railroads.

### Steel Awards

Structural steel awards have been small in the past month, though a number of public projects are pending. Radio City releases aided activity in the Pittsburgh area. Fabricated awards for the week of Oct. 17 declined to 17% of the capacity of reporting firms compared with more than 30% the preceding 2 weeks.

Pig iron production in October declined less than 3% on a daily average basis from September compared with a 5.6% decline in the preceding 2 months. Production has declined 42% compared with the first 10 months of 1930.

### Residential Construction

The surprising strength in residential construction during October is gratifying in the face of the drying up of public works awards upon which so much hope had been lavished as a stabilizing force. The closing days of October produced residential contracts which on a daily average basis ran more than 13% ahead of September against a 3.7% gain in the first 3 weeks. Non-residential awards have tapered off sharply since early in October, so that a 7% gain in the first half of the month will be offset by a 26% loss for the last days of October. Public works awards will show less drastic declines compared with September with the addition of the awards of

the fourth week of October. On a daily average basis, these gained 61% over September in contrast to losses of over 37% in the first half of the month. The adjusted index of total construction for the week of Oct. 23 is 47% of normal compared with 48% the preceding week, while the week of Oct. 30 showed a gain to 50% of normal.

Bituminous coal production continues to show seasonal gain, but for the week of Oct. 24 this was not sufficient to alter our index from the 61% of normal level reached a week ago. Anthracite production made another sharp increase.

### Electric Power

The gain in electric power production was less than seasonal, so that the adjusted index declined slightly from 84% of normal to 83%. The present level is now 2% under 1928, 9% under 1929 and 5% under 1930. The New England district reports a slight gain over last year for the comparable week.

The slight improvement in the volume of freight shipments during the week of Oct. 24 was due chiefly to the groups miscellaneous freight, grain and grain products, coal, and livestock. While the general trend for the month is downward, there have been instances in the past when minor gains have been reported for comparable weeks at the close of October. Our adjusted index based on the groups miscellaneous and less than carlot freight increased from 65% to 67% of normal.

Check payments for the week of Oct. 28 declined more than 17% from the preceding week, lowering our index based on the past 2 weeks from 73% to 70% of normal, new low for the year.

### The Index

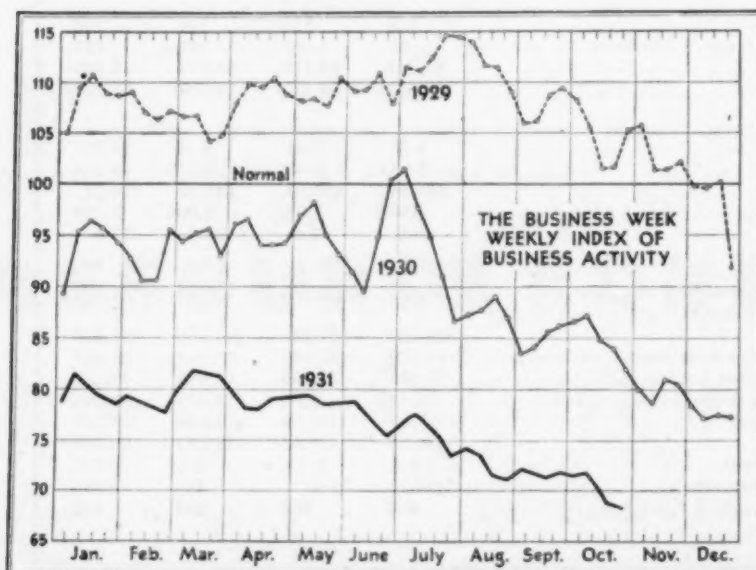
The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

The first sign of any relaxing of hoarding was given in the drop of currency circulation as of Wednesday last week, which is confirmed by the daily average of the week closing Oct. 31. The adjusted index remained at 38½ above normal, since the decline was small. The change in direction of the series is encouraging in so far as it spells more confidence in the banking system. The steady decline in commercial loans comparable to the 1921-1922 period continues, bringing our adjusted index to 6% above normal for the week of Oct. 28.

### Wheat Rise

The better tone in the business world was chiefly a result of the continued rise of grain prices under the leadership of wheat. Rumors that Russia would export less than at first reported, combined with poor growing weather in the domestic field and lower crops from Argentina and Australia gave the wheat trade a chance to shout itself hoarse for the first time in many months. Wheat futures have gained over 20¢ a bushel since the lows of Oct. 5, while corn has gained more than 12¢.

Oil, hides, coffee, cocoa, sugar, oats and rye also moved into higher ground. Rubber has wavered slightly downward, as has cotton. The non-ferrous metal markets turned dull after the spurt of activity a week ago. Copper prices remained steady. Reports that the copper conference has taken a turn for the better lifted sentiment in the last day of two. Tin and lead and zinc prices lost some ground, while silver gained without the support of speculative operators.



# Trends of the Markets

## in Money, Stocks, Bonds

Monetary factors again became disturbing due to currency increases and Reserve Bank credit liquidation.... Stock prices rallied on the strength of a considerable amount of cheerful news.... Bond prices also increased, but the rise was very moderate.

### Reserve Adds to Strain of New Currency Rise

BANKING strain appeared in sizeable form this week dampening the hope, generated last week, that it might have reached its limit. The Reserve system made no effort to remedy the damage. Against the domestic showing, foreign assurance in American institutions continued to grow.

Currency circulation rose \$63 millions from Oct. 28 to Nov. 4, wiping out the week's encouraging decrease of \$4 millions and indicating definitely that hoarding—or, at least, a rising demand for currency for some reason—is not ended. While some rise in currency this week is seasonal and while Tuesday was an important retail trade day, the increase was double or more than of any recent year for this period. The foreign attitude toward the American banking system was quite opposite, for the dollar continued to

appreciate in most of the major foreign currencies, excepting those of Belgium and Switzerland. Foreigners also continued to reinvest funds here on short-term. For the first time in many weeks, the United States gained \$24 millions gold from abroad.

This gold gain, plus re-investment of foreign funds, constituted the sources of funds for the week. The currency demand took more than the total of those amounts. The Federal Reserve banks, on top of the currency demand, brought about a reduction of \$102 millions in their credit outstanding, mostly through letting their acceptance holdings decline.

### Bank Reserves Decreased

The banks had no alternative but to pay out of their own funds, and their reserves were decreased by \$107 millions, bringing them to the lowest point since 1925. Since the volume of bank credit is far higher than at that time, the bank reserves will have to be replenished to support the volume of credit. This can be done by the Reserve banks. If it is not, the banks will borrow, thus increasing customer charges, or considerable calling of loans and selling of investments will result. Such a development would put a heavy strain on the economic structure. That the demand for funds was not met by

borrowing on a considerable extent was curious. Borrowings actually declined slightly.

Outward evidence of what happened this week was slight. Open market money rates were generally unchanged. The rate for federal funds rose sharply, attesting the demand for reserves.

Brokers' loans declined another \$20 millions. The Stock Exchange monthly report for October showed a reduction of \$248 millions. During that month prices rose net.

The move made by New York City banks to bring the financing of the stock market more fully under their control was significant. The clearing-house ruled that its members no longer would make call loans for others than banks. Since "others" (corporations, individuals, and foreigners) financed an important part of the 1928-29 boom thus eliminating bank control, the measure is important in considering the future. It may forestall more drastic Congressional action on the subject.

Britain paid off part of her international loan in the week, the balance being renewed. Weakening of the German Reichsbank's position and Italian banking troubles were disturbing.

### Despite a Few Twinges, Wall St. Feels Better

RIISING stock prices this week reflected the gathering of a larger number of bullish forces than have come to the



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**THE  
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and of stocks in some time. The favorable conclusions to be drawn from some of the developments must, of course, be tentative; unfavorable factors which have been kept in the background may not have had their final effect. But, even allowing for due caution, Wall Street feels decidedly better.

### Wheat Rise

Wheat's sensational rise, seconded by increases and firming in a number of other commodity prices, was the outstanding event of the week. Last week's evidence of a cessation of hoarding and slowing down of bank credit liquidation were influences almost as important. Other factors included the beginning of negotiations for railroad wage cuts, the decline in foreign gold takings, Washington moves toward real estate aid, steadier bond prices, and the large-scale elimination of marginal stock holdings which has occurred in recent weeks.

Cheerfulness ballyhoo, in the making for some weeks, has broken into a mighty crescendo upon these developments. Probably not since the stock market crash in 1929 has there occurred such a propaganda wave.

### A Moderate Rally

The market has rallied, as was almost inevitable, yet the rally has been thus far of rather moderate proportions compared with the strength of the motivating forces. Industrial averages have moved up 7.7%, while utilities have lagged with a rise of 5.3%, and rails with but 4.6%.

Those of a more skeptical turn of mind have hesitated because of new

rumblings from abroad, doubt that the domestic banking recovery is as complete as it might be, disturbing developments in the bond market, and the prospect of considerable fixed trust selling as dividends are passed.

## Forced Selling Tempers Bond Market's Optimism

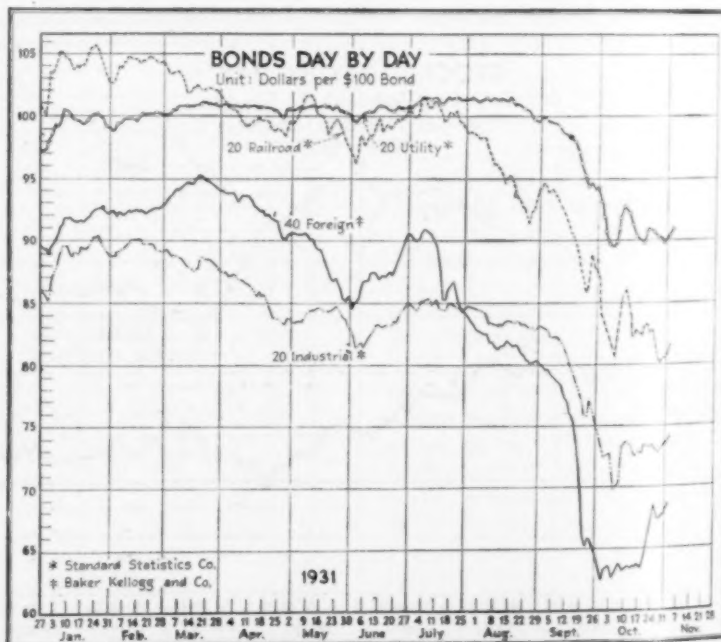
BOND prices, like stock prices, reflected the encouraging news of the week, but they reflected it but very moderately. For the most part, issues remained within the trading range of last week. High and low grade issues moved almost exactly alike according to the averages shown by Moody's ratings.

The failure of bonds to respond more vigorously to indications of better banking conditions results from the amount of necessitous liquidation hanging over the market and the signs of growth in this situation. Legal necessity to sell bonds is not affected by the operations of the National Credit Corp., which only makes loans.

### Commodities Favor Rise

Firmer commodity prices at present are a favorable omen for bonds in that the security behind the issues tends to increase. But rising commodity prices over a period of time, like rising money rates, tend to depress bond prices.

Foreign bond averages had the best rise relatively. This was due primarily to the strength in the German and Argentine issues, was retarded by weakness in Colombian bonds.



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# THE BUSINESS WEEK

*The Journal of Business News and Interpretation*

November 11, 1931

## An Opportunity

THE coming Congress will probably be more preoccupied with financial legislation than with anything else. All the bones of contention—war debts, taxation, public borrowing, security market regulation, railroad relief, farm relief, are tied in one way or another to the problem of strengthening and securing better control of our banking system, and this will be the central task of the next session.

It is quite generally realized that special emergency agencies like the National Credit Corp. cannot solve this problem in any permanently satisfactory way; their establishment only advertises its existence and emphasizes the need of carefully considered action for fundamental improvement of the banking structure. The probability is that Congress, impressed with the inability of private effort like the Credit Corp. to make much headway with the immediate problem, will invoke the public credit and put the government into the banking business on a large scale by resurrecting in some form the old War Finance Corp. to meet credit needs which the established banking system is not able or willing to meet.

While such use of public funds to check further deflation and start credit expansion in such a situation as this is justifiable and may be the only effective way to accomplish the immediate purpose, there is one serious objection to it. It would be setting up a new and separate governmental agency to correct a condition which the existing banking mechanism was intended to prevent, and to do something which that mechanism, properly organized, could and should be able to do itself. In short, it would be an admission and acceptance of the fact that the Federal Reserve system has failed to function as it was designed to, so that something must be set up in its place. This might easily mean that the crucial question of correcting the defects in the System would go by default.

It would be a serious mistake to allow such a situation to arise. The Federal Reserve Act is the most important step that has been taken toward the creation of an effective banking system in this country since the National Bank Act of 1863. It needs vital improvements, and the banking situation disclosed by this depression offers at once the opportunity and the imperative necessity for such revision. If that opportunity is missed it may not come again until, as in the past two years, it is too late to act upon it.

This does not imply that the Reserve system does not need to be supplemented by other new and separate credit agencies to meet needs for long-term credit which the Reserve system cannot safely supply. Undoubtedly some systematic source of reserve resources is required to stabilize the flow of capital and credit into the construction and equipment industries.

The point is, however, that the problem of setting up such permanent new credit machinery should not obscure or confuse that of strengthening the Reserve system so as to insure its effectiveness in meeting the needs for which it was intended. The Reserve system has distinct functions of its own and their effective discharge is essential to general business stability.

The problem of insuring its effectiveness involves more than a mere tinkering with the provisions and regulations regarding the kind of paper eligible for rediscount. These must, of course, be carefully considered in the light of changes that have taken place in the methods and practices of financing industry and trade during the years since the System was established. But there are more fundamental matters of vital importance to business at issue in the very structure of the System as it affects the safety of bank deposits, the protection of independent banks, and the control of general credit policy through the Reserve Banks. Some of these will be discussed in succeeding editorials.

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